

**Statement of the
National Community Pharmacists Association**

“Buried in Paperwork: A 1099 Update”

**United States House of Representatives
Committee on Small Business**

February 9, 2011

Chairman Graves, Ranking Member Velazquez, and Members of the Committee, the National Community Pharmacists Association (NCPA) is pleased to submit the following written comments for inclusion in the record of today's hearing, Buried in Paperwork: A 1099 Update. We commend you for holding this hearing given the negative impact that the health care reform expansion of Form 1099 reporting requirements will have on small businesses, such as community pharmacies.

The NCPA represents the interests of America's community pharmacists, including the owners of more than 23,000 independent community pharmacies, pharmacy franchises, and chains. Together they represent a \$93 billion health-care marketplace, have more than 315,000 employees including 62,400 pharmacists, and dispense over 41% of all retail prescriptions. NCPA members are the primary providers of drugs and pharmaceutical supplies to millions of Americans. NCPA members are also small businesses that will be forced to file many new 1099 tax forms under the new reporting requirements, which will be a burdensome, costly and time consuming process for them. Accordingly we urge Congress to repeal the health care reform expanded Form 1099 reporting requirements.

Congress should Repeal the New 1099 Reporting Requirements because they Place Extensive and Unnecessary Burdens on Independent Community Pharmacies

The new Form 1099 reporting requirements will impose heavy and harsh burdens on small businesses, such as independent community pharmacies. These new Form 1099 reporting requirements essentially require independent community pharmacies to report and file a Form 1099 for payments made to each corporation for goods purchased that total \$600 or more per year. This new burdensome reporting requirement poses a significant problem for independent community pharmacies because of the low \$600 trigger point for filing the Form 1099 and the number of vendors from whom independent pharmacists purchase goods on an annual basis.

Independent community pharmacies maintain a very expensive inventory. Pharmaceutical drugs and supplies are not low cost products and, therefore, monies paid by the average independent community pharmacist to each drug vendor or drug wholesaler will easily surpass the \$600 filing threshold. We estimate that the average pharmacy works with 50 to 100 drug and medical supply vendors on an annual basis, which means they will have to file 50 to 100 Form 1099's on an annual basis for their drug and pharmaceutical supply purchases alone. Presently, for these purchases, independent community pharmacies file none. The large number of drug and supply vendors combined with the high cost of the goods being purchased means that independent community pharmacists will have to file a disproportionately large number of Form 1099's on an annual basis, in relation to other small business owners, just for their drug and pharmaceutical supply purchases.

Along with their drug and pharmaceutical supply inventory, most independent community pharmacies maintain an inventory of "front end" items. Such items include over-the-counter drugs, health products, greeting cards, books, magazines, toys, seasonal items, sundries,

beauty products, and food and drink items. Along with serving as a source for individual pharmaceutical needs, independent community pharmacies also serve as sources for the purchase of common food and non-food household items. With regard to these goods, we estimate that the average independent community pharmacy holds 50 to 100 accounts with “front end” vendors, in addition to the 50 to 100 accounts that they hold with drug and supply vendors. Even though some of these goods are low cost, on an annual basis the amount of money paid to each vendor for these goods easily surpasses the \$600 threshold. Because of the number of vendors at issue, independent community pharmacists, under the new Form 1099 reporting requirements, will be forced to file an additional 50 to 100 Form 1099’s for these “front end” goods that they purchase on an annual basis. Presently, independent community pharmacies do not file any Form 1099’s for “front end” item purchases. Combined with the pharmaceutical-related Form 1099’s, this means that the expanded reporting requirements will require the average pharmacy to file between 100 and 200 additional Form 1099’s.

In addition to the burden of filing hundreds of new Form 1099’s, many community pharmacies will also be subject to existing tax reporting regulations that require the electronic submission of all tax reporting filings if more than 250 informational returns of any type (including W-2’s, 1099’s, etc) are filed by any taxpayer for any one tax year. In other words, the Form 1099 reporting requirement expansion will result in an increase in the number of small business pharmacies required to file their returns electronically. This, in turn, is likely to require the pharmacies to either make additional investments in data processing systems in order to comply with the electronic filing regulations or increase their payment of professional fees if such reporting requirements are to be outsourced.

Conclusion

Independent community pharmacies are small businesses with an average of only 11 employees. With limited staff resources, independent pharmacists devote as much of their time and effort as possible to helping their patients. They spend significant face-to-face time counseling and monitoring their patients to ensure that those patients are taking the correct drugs and are taking them in the correct manner. The counseling and monitoring function of independent community pharmacists improves patient health outcomes and in the long run saves healthcare dollars for payers, including Federal healthcare programs. Patients are better able to manage their illnesses, which may otherwise become extremely costly if left unchecked. To impose upon small business independent pharmacies this new massive paperwork filing burden only serves to divert resources away from patients and improving health outcomes, and instead direct those resources of time, money and effort toward bureaucratic tax requirements. Accordingly, NCPA urges Congress to repeal the expanded Form 1099 reporting requirements.

Thank you for the opportunity to submit this statement for the record.