

# Reporter

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Fall 2016

A Newsletter for Employers

## Employer "hit" rate on OCSE's website . . . Did you know?

**D**id you know that the [federal Office of Child Support Enforcement's \(OCSE\) website](#) is a valuable resource for employers? OCSE recently updated the website to be more user-friendly especially when using a mobile device or tablet.

Did you know that the [Employer](#) page has relevant and current information for employers that have employees with a child support order?

The [State Contacts & Requirements](#) page averages more than 9,000 viewings per month and provides contact and program information for each state and territory about:

- [New Hire Reporting](#),
- [Income Withholding](#),
- [Lump Sums](#),
- [Medical Support](#), and
- [State Disbursement Units](#)

The [Electronic & Online Services](#) page provides information about:

- [e-IWO](#) - Learn more about automating the Income Withholding for Support (IWO) and making the process convenient, accurate, and fast with electronic income withholding orders (e-IWO).
- [eTerm](#) - With electronic termination (eTerm), you can report employee terminations online. Once registered, you can upload files or enter information on the eTerm application.



- [Bonus/Lump Sum Reporting](#) - Employee bonuses and other lump sum payments are income that can be garnished to collect child support. Online Lump Sum Reporting is an easy way for you to notify nearly all states at once about upcoming payments.
- [Multistate Employer Registry](#) - Employers with employees in more than one state can transmit all new hire reports to a single state where they have employees, provided they notify the Secretary of Health and Human Services by registering on the Multistate Employer Registry.

There is a wealth of additional information for employers on these topics and more. If you haven't checked us out lately, you are missing valuable information.

**Questions?** Contact the [Employer Services](#) Team. **HHS**

## Federal agencies benefit from receiving child support orders electronically

Private sector employers are not the only ones reducing costs and finding electronic methods to work more efficiently. Receiving electronic income withholding orders (e-IWOs) is an efficient and cost-effective way to electronically exchange IWO information between child support agencies and employers.

Working with public and private sector employers and child support agencies, the federal Office of Child Support Enforcement (OCSE) developed and implemented the automated and centralized e-IWO process that has significantly reduced time-consuming paperwork associated with handling and processing child support orders. e-IWO has proven to:

- save employers time and staff resources;
- speed up communication with child support agencies; and
- ultimately get child support to families faster.

All the above benefits with No Cost To Employers!

Currently 51 of the 54 states and territories use OCSE's e-IWO process which means that if your agency opted to join e-IWO, you would interface with just one entity—OCSE—and receive and respond orders from 51 child support agencies all electronically. South Carolina, the Virgin Islands, and Guam are the only state and territories not currently sending orders electronically. More information about e-IWO is available on OCSE's [website](#).

Several federal agencies currently use e-IWO to receive and acknowledge income withholding orders from child support agencies. The table below gives the count of e-IWOs received by some federal agencies in the last 60 days.

AGENCY	Number of e-IWOs
Architect of the Capitol	15
Defense Finance and Accounting Service (DFAS)	18,275
Federal Reserve Bank of Richmond	50
Internal Revenue Service	104
Social Security Administration	55,671

As you can see from the table above, agencies of different sizes use e-IWO. Here's what DFAS says about it:

"e-IWO has been awesome! About 60% of our work is child support related. We receive the batch files daily. The electronic orders are processed into our imaging/workflow system automatically so the order is in the member/employee file within 48 hours of being sent from the child support agency without manual intervention.

With e-IWO, there are no postal delivery delays, and the mail room does not have to open envelopes or "prep" the document for imaging into our document/workflow system. Once again, e-IWO eliminates a manual process. e-IWO has also decreased the number of duplicate orders we receive.

In several instances, we automated the termination process. About 40% of the termination orders we receive are automatically processed within 72 hours of being sent from the child support agency."

If your agency wants to reduce costs, save staff time, and improve efficiency, use e-IWO! For more information or to get in touch with staff in other federal agencies using e-IWO, contact Bill Stuart, [william.stuart@acf.hhs.gov](mailto:william.stuart@acf.hhs.gov) or 518-399-9241. 

## APA Seminar/Webinar: Year-End Compliance and New Rules for 2017

The American Payroll Association's "Preparing for Year-End and 2017" provides updates on the latest changes in legislation and regulations that affect the close of 2016 and the first payroll of 2017, including:

- How to prepare for the accelerated Form W-2 filing deadline,
- How employers will comply with the Affordable Care Act's health insurance reporting requirements, and
- How fringe benefit taxation will impact Forms W-2 and 941 reporting.

The one-day seminars are available in 50 cities nationwide. If you cannot get out of the office, all four segments of the class are offered as webinars online, both live and on demand. For more information about this time-saving and educational program, visit [Preparing for Year-End and 2017](#) and register today.



The APA also has specialized webinars for payroll professionals in the government or public sector, those who process Canadian payrolls, and those who are in accounts payable. Visit [Government/Public Sector Year-End and 2017](#), [Canadian Payrolls Preparing for Year-End and 2017](#), or [Accounts Payable/Disbursements Preparing for Year-End and 2017](#) for more information.

There is also a four-segment [Advanced Preparing for Year-End and 2017](#) webinar covering advanced year-end issues, including complex fringe benefit taxation and reporting requirements. 

## American Payroll Association's tips for year-end and 2017

This year payroll professionals will face a year-end that is very different from previous years. Employers must be prepared for two new reporting requirements. First, the filing deadline for Form W-2 has been accelerated to January 31. Second, employers that took advantage of various forms of transition relief for Affordable Care Act (ACA) health care information reporting or that may have encountered difficulties with their reporting procedures for the forms filed in 2016 need to prepare to accurately and timely report in 2017.

While there are new challenges for this year-end, several provisions in the Consolidated Appropriations Act, 2016, may help alleviate some of those difficulties. Unlike previous years, payroll professionals will not have to deal with retroactive changes to qualified mass transit benefits because the parity provision equalizing the excludable benefit for parking and transit benefits was made permanent. Similarly, the Work Opportunity Tax Credit was expanded and extended through 2019, and the wage credit for military differential pay was expanded and extended permanently.

To help you prepare for a successful year-end and 2017, the American Payroll Association offers these tips to help you complete your year-end processing.

### Communication Is Key

Communication with employees is a key element to a successful year-end process. Errors and simple misunderstandings may be avoided through effective communication with your employees. Because ACA reporting is still relatively new, employers should be prepared to handle questions concerning health care reporting. Employers should be prepared to explain why employees may have received a request for the social security numbers (SSNs) of their spouse and/or children. Employers should also be prepared to explain why the employee has received a Form 1095-C and/or Form 1095-B.

**Accelerated Form W-2 filing deadline.** Because the deadline to file Forms W-2 has been accelerated, it is increasingly important to communicate with employees the need to have correct information on their Forms W-2. Previously, an employer might be able to fix an error in a Form W-2 prior to filing it with the Social Security Administration (SSA). For instance, if an employer furnished its Forms W-2 to employees in January, but did not file with SSA until March, errors could be fixed without the need to file a Form W-2c.

**SSN requests.** Because health insurance providers must report the SSN for each individual they cover, employees may receive a request for the SSN of their spouse or children. Employers should explain that the information will be used in conjunction with required ACA reporting. By not providing the SSN, employees increase the risk of the IRS not being able to verify information on their tax returns, which could result in a penalty notice. For additional information, see the IRS webpage, [Questions and Answers about Reporting Social Security Numbers to Your Health Insurance Company](#).

**Forms 1095-C and/or 1095-B.** Employees are likely to have questions about the ACA forms. Employers can help educate their employees by explaining that the forms will be used to report health coverage information to the IRS. The forms report what coverage was offered to the employees and which months the employees had insurance coverage. Employees will use this information to complete their individual tax return. Unlike the Form W-2, these forms do not need to be attached to tax returns. Employees should review the form to ensure that the information is correct. Additional information may be found in the Instructions for Recipient section of Form 1095-C and in [Affordable Care Act Tax Provisions Questions and Answers](#) posted to the IRS website.

**Standard reminders.** In addition to the new communication efforts related to the earlier Form W-2 filing deadline and the ACA reporting, employers should continue to send reminders to their employees concerning year-end procedures and deadlines. The APA suggests these reminders:

- Remind employees to review all information (i.e., name and address) on their paystubs to verify that it is correct. This will help reduce returned Forms W-2.
- Remind employees to review the marital status and number of withholding allowances claimed on Forms W-4, and to make changes if needed (i.e., did the employee get married, including same-sex marriages, get divorced, or need to change the number of dependents).
- Before issuing an original Form W-2, inform employees if the employer intends to charge a fee for a replacement Form W-2.
- Remind employees who anticipate liability for the additional Medicare tax that they may ask the employer to withhold an additional amount of income tax by adjusting their Forms W-4.
- Remind employees claiming "exempt" from withholding to submit a new Form W-4 in time for the processing of paychecks dated after February 15, 2017, if the employee wants to continue to claim "exempt" and is qualified to do so.
- Notify employees who have no income tax withheld that they may be able to claim a refund because of the Earned Income Tax Credit (EITC).
- Remind employees if your health FSA has a grace period for early 2017 claims or a carryover provision for up to \$500 of the contributions made to the FSA in 2016. Also, inform employees if there is a change to the salary reduction limit for health FSA contributions for plan years beginning in 2017.
- Notify employees of SDI tax rate and wage base changes.
- Notify employees of any changes to the contribution limit for 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan. Also, notify employees of any changes to the catch-up contribution limit for employees who are 50 years old or older. **APA**

## Steps to facilitate a smooth year-end process

As you plan your year-end process, you can build numerous tasks and deadlines into your schedule to help you complete the process in a timely manner. These tasks include:

### In December

Collect benefit and payroll adjustment information and post it to employees' payroll, including relocation assistance, educational assistance, group-term life insurance, third-party sick pay, company cars, off-cycle checks, and void checks.

Schedule any special bonus payrolls for the current year.

Verify that all stop payments, voids, and off-cycle checks have been processed.

Order Forms W-2 and Forms 1099-MISC [here](#) from the IRS for all employees and independent contractors who worked for your company this year. Be sure to order an extra supply of forms to allow for any mistakes. Also, consider preparing, printing, and filing Forms W-2 online at SSA's [Business Services Online](#). Remember that electronic filing is required if the employer has 250 or more Forms W-2 to file.

Verify employees' names and SSNs with SSA's [Social Security Number Verification Service](#).

### In December and January

Check to see if Congress has renewed or changed any tax provisions.

Obtain new forms, withholding tables, and publications from IRS.

Review the Social Security wage base (\$118,500 for 2016), deferred compensation limits, and mileage rate.

Notify employees of applicable changes and any actions they must take.

Verify the employer's state unemployment insurance tax rate and taxable wage limit for each state where the employer has workers.

Compute uncollected Social Security and Medicare taxes for retirees and former employees.

Calculate the cost of employer-provided health coverage, if required, and verify it will appear on Form W-2 in Box 12 using code DD.

### In January

Reconcile Forms W-2 and W-3 totals against Forms 941 for 2016.

Run a report to verify W-2 information before printing the forms for each employee.

Verify that you have an SSN for each employee.

Review employees' Forms W-2 who have wages higher than the Social Security wage base (\$118,500 for 2016), who have benefits that must be reported in Box 10 or Box 12, or who have statuses that must be checked in Box 13.

Purchase postage for mailing Forms W-2, 1099-MISC, and 1095-C if they are not provided electronically.

If your company offers any pre-tax deductions, prepare a notice for delivery to employees that explains the calculations of the numbers in boxes 1, 3, and 5 on Form W-2.

### By January 31

File Forms W-2 (Copy A) and W-3 with the Social Security Administration. This deadline applies to forms filed on paper or electronically.

Deliver or mail Forms W-2 to all 2016 employees.

File Forms 1099-MISC reporting non-employee compensation payments in Box 7 with the IRS, whether or not there are amounts reported in any other box on the form.

Deliver or mail Forms 1099-MISC to recipients. If amounts are only reported in Box 8 or 14, the deadline is extended to February 15, 2017.

File Form 941, Form 943, or Form 944; and Form 940 with the IRS. The normal deadline for filing these is January 31, 2017, however, if all taxes have been deposited when due, the deadline for filing is extended to February 10.

### By February 16

For any employee who claimed "exempt" from withholding in 2016, but has not submitted an exempt 2017 Form W-4, begin withholding based on the most recent, valid, non-exempt Form W-4 in the employee's file. If you do not have a Form W-4, withhold based on a marital status of "single" and zero withholding allowances.

### By February 28

File paper Forms 1094-C and Forms 1095-C with the IRS. If you file electronically, the deadline for submitting these forms is extended to March 31, 2017.

File paper Forms 1099-MISC with the IRS if no amount is reported in Box 7. If you file electronically, the deadline for submitting these forms is extended to March 31, 2017.

File Form 8922, *Third-Party Sick Pay Recap*, with the IRS. Note: The employer will file Form 8922 if sick pay is reported on Form W-2 under the agent or insurance company's name and EIN. The agent or insurance company will file Form 8922 if sick pay is reported on Form W-2 under the employer's name and EIN. Form 8922 must be filed on paper for tax year 2016.

*Editor's Note: The American Payroll Association's strong partnership with the IRS and SSA allows it to prepare its classes and publications, such as *The Payroll Source*®, with the most accurate and up-to-date information to educate employers. More APA information is available at [www.americanpayroll.org](http://www.americanpayroll.org). APA*



## Department of Labor's overtime update takes effect on December 1

**O**n May 18, 2016, the Department of Labor announced a final rule updating the white collar overtime regulations, which will automatically extend overtime pay protections to over 4 million workers within the first year of implementation. The Department received over 270,000 comments in response to the Notice of Proposed Rulemaking published in July 2015 from a variety of interested stakeholders, which helped to shape the Final Rule.

Generally, the FLSA requires that employees be paid minimum wage and overtime pay, unless an exemption applies. This Final Rule updates the regulations for determining whether white collar salaried employees are exempt from the Fair Labor Standards Act's minimum wage and overtime pay protections. Presently, they are exempt if they are (1) paid on a salary basis, (2) paid no less than the salary level test, and (3) employed in a bona fide executive, administrative, or professional capacity, (as those terms are defined in the Department of Labor's regulations at 29 CFR part 541). This exemption from the FLSA is sometimes referred to as the "white collar" or "EAP" exemption.

The salary threshold set in the rule helps to identify white collar employees who are entitled to overtime pay when they work

long hours. Employees earning under the threshold are entitled to overtime protection, while employees earning more than the threshold may be exempt from overtime protection depending on their job duties. The threshold has been updated only once in the last 40 years. The existing salary level has been severely eroded by inflation and is too low to work with the duties test it was paired with.

To restore the effectiveness of the salary level test, the Department is increasing the standard salary level from \$455 per week (\$23,660 for a full-year worker) to \$913 per week (\$47,476 for a full-year worker). There are no changes to the standard duties test for the "white collar" exemption. For employees with salaries above the salary level, employers will continue to use the same test to determine whether or not an employee's duties entitle him or her to overtime pay. In order to prevent the salary level requirements from again becoming outdated and ineffective, the Department is establishing mechanisms for automatically updating the salary and compensation levels every three years to maintain them at the levels set in this rulemaking. Additionally, the Final Rule amends the salary basis test to allow employers to use nondiscretionary

bonuses and incentive payments (including commissions) to satisfy up to 10 percent of the new standard salary level.

The effective date of the final rule is December 1, 2016. The initial increases to the standard salary level (from \$455 to \$913 per week) and highly compensated employee (HCE) total annual compensation requirement (from \$100,000 to \$134,004 per year) will be effective on that date. Future automatic updates to those thresholds will occur every three years, beginning on January 1, 2020.

This long-awaited update will provide a meaningful boost to workers and help ensure workers are compensated for their work. The final rule will strengthen overtime protections for salaried workers already entitled to overtime and provide greater clarity for workers and employers. The rule will also prevent a future erosion of overtime protections and ensure greater predictability.

For more information, as well as detailed guidance for employers, small business owners, non-profit organizations, and relevant fact sheets, [please visit the Wage and Hour Division's website](#). If you have additional questions, please contact your nearest Wage and Hour Division office by calling 1-866-4USWAGE. 

## Clarifications to instructions for lines 4l of Schedules H and I (Form 5500) and line 10f of Form 5500-SF

**L**ines 4l of Schedules H and I of the Form 5500, Annual Return/Report of Employee Benefit Plan, and line 10f of Form 5500-SF, Short Form Annual Return/Report of Small Employee Benefit Plan, ask "*Has the plan failed to provide any benefit when due under the plan?*" This question was added to Schedules H and I of the Form 5500 and Form 5500-SF as part of the forms revisions effective for the 2009 plan year. The instructions did not include examples of what constituted a reportable failure to provide any benefit when due under the plan. The IRS clarified the instructions in connection with the 2015 Form 5500 and Form 5500-SF to explain that a reportable failure included unpaid minimum required distributions to 5% owners who have attained 70½, and non-5% owners who have attained 70½ and have retired or separated from ser-

vice. Based on comments received in response to a Paperwork Reduction Act notice regarding the 2016 Form 5500 and Form 5500-SF (see [81 FR 18887](#)), the IRS announced that, in the absence of other guidance, filers do not need to report on Lines 4l of the Schedule H and I to the Form 5500 and 10f of the Form 5500-SF unpaid required minimum distribution (RMD) amounts for participants who have retired or separated from service, or their beneficiaries, who cannot be located after reasonable efforts or where the plan is in the process of engaging in such reasonable efforts at the end of the plan year reporting period.

The above-guidance is limited to completing the identified annual return/report line items. Plan administrators and employers should review their plan documents for written procedures on locating

missing participants. Also, although the Department of Labor's Field Assistance Bulletin 2014-01 is specifically applicable to **terminated** defined contribution plans, employers and plan administrators of ongoing plans may want to consider periodically using one or more of the search methods described in the FAB in connection with making reasonable efforts to locate RMD-eligible missing participants.

### Additional resources

- [Form 5500 Corner](#)
- [Forms 5500, 5500-SF and 5558 filing tips](#) (video 1.40 min). 

## One-participant plan sponsors – Avoid orphan plans

Employers that sponsor one-participant plans should take necessary steps to prevent a qualified retirement plan from becoming an orphan plan - a plan that no longer has a plan sponsor.

One of the most common reasons why a retirement plan becomes an orphan plan is because the plan sponsor no longer exists. For example, the individual employer/plan sponsor:

- retires
- passes away (and there's no successor appointed) or
- abandons the plan before properly terminating it.

An orphan plan may fail to meet the Internal Revenue Code qualification requirements and lose its tax-favored status. If a plan is no longer sponsored by an employer, it:

- ceases to be a qualified plan
- may fall out of compliance with other Code requirements

When the sole proprietor with a one-participant plan retires, the assets must be distributed and the plan must be terminated. A distribution involves either rolling over the assets into an IRA or taking a taxable distribution.

### Preventing orphan plans

- **Terminate the plan** – review and take all applicable steps to terminate the plan if you are a plan sponsor and you:
  - a. sell your business
  - b. close your business
  - c. retire
  - d. file bankruptcy for your business that results in its closing
- **Name someone** to effect plan termination if you are unable to or unavailable.

### Additional resources

- [Fixing Common Plan Mistakes – How to Terminate an Orphan Plan](#)
- [Retirement Topics - Termination of Plan](#)
- [Retirement Plans FAQs regarding Plan Terminations](#) 

## Help others in your community with free tax preparation

As the IRS prepares for the 2017 filing season, you can also plan to give back to your community by providing free tax return preparation service for taxpayers who qualify at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites.

Volunteering with VITA and TCE is a rewarding way to make a difference in your community. The programs help low-to-moderate income earners, seniors, people with disabilities, those who speak limited English and many others who need help with free tax return preparation.

As a volunteer, you will receive free IRS training,

and you can choose to be a greeter, a reviewer, a tax preparer and more. The hours are flexible, and the time commitment is minimal.

Once training is complete and your site opens, you will help provide tax preparation service to taxpayers (generally those who make \$54,000 or less) who do not have the ability to prepare their own tax returns. Last year, volunteers prepared more than 3.8 million tax returns for taxpayers. Many of these returns resulted in refunds that help generate local economic activity.

Prospective volunteers can find more details about volunteering for the VITA and TCE programs

on the [IRS tax volunteer](#) website, and then submit their contact information as instructed on the site. This information will be sent to the local IRS area office and appropriate sponsoring partners for further contact. With so many sites conveniently located in churches, community centers, libraries and senior centers across the country, there's sure to be one near you that can use your help.

It's a rewarding way to make a difference! For more details about the VITA/TCE programs go to [IRS Free Tax Prep](#) 



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