

**Social Security
Administration**

**Internal
Revenue Service**

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Reporter

Spring 2011

A Newsletter for Employers

Get Credit for Providing Health Insurance Coverage to Employees

Small employers who contribute to their employees' health insurance coverage may qualify for a special refundable tax credit this year. The credit is generally available to small employers who contribute an amount equivalent to at least half the cost of single coverage premiums. The credit can be claimed for 2010 through 2013 and for any two years after that at an increased maximum credit amount. The maximum credit for tax year 2010 is 35 percent of premiums paid by for-profit employers and 25 percent of premiums paid by tax-exempt employers.

The maximum credit goes to smaller employers — those with 10 or fewer full-time equivalent (FTE) employees — paying annual average wages of \$25,000 or less. The credit phases out for employers that have 25 or more FTEs or that

pay annual average wages of \$50,000 or more. Because the eligibility rules are based in part on the number of FTEs, employers that use part-time workers may qualify even if they employ more than 25 individuals.

To claim the credit, employers will use Form 8941 to figure the credit amount and then include the amount figured as part of the general business credit on the income tax return. Tax-exempt employers will also use Form 8941 to figure the credit amount, and then include the amount figured on Line 44f of Form 990-T. IRS Notices 2010-44 and 2010-82 provide more information on special rules for determining eligibility.

Use the search keywords "Affordable Care Act" to find all the information you need on IRS.gov — including tax forms, instructions, and answers to common questions. [IRS](#)

IRS Kicks Off 2011 Tax Season with Deadline Extended to April 18

The Internal Revenue Service opened the 2011 tax filing season by announcing that taxpayers have until April 18 to file their tax returns. The IRS reminded taxpayers impacted by recent tax law changes that using e-file is the best way to ensure accurate tax returns and get faster refunds.

Taxpayers will have until Monday, April 18 to file their 2010 tax returns and pay any tax due because Emancipation Day, a holiday observed in the District of Columbia, falls this year on Friday, April 15. By law, District of Columbia holidays impact tax deadlines in the same way that federal holidays do; therefore, all taxpayers will have three extra days to file this year.

Taxpayers requesting an extension will have until Oct. 17 to file their 2010 tax returns.

The IRS expects to receive more than 140 million individual tax returns this year, with most of those being filed by the April 18 deadline.

The IRS also cautioned taxpayers with foreign accounts to properly report income from these accounts and file the appropriate forms on time to avoid stiff penalties.

"The IRS has made important strides at stopping tax avoidance using offshore accounts," said IRS Commissioner Doug Shulman. "We continue to focus on offshore tax compliance

IRS Kicks Off 2011 Tax Season

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and people with offshore accounts need to pay taxes on income from those accounts.”

The IRS also reminded tax professionals preparing returns for a fee that this is the first year that they must have a Preparer Tax Identification Number (PTIN). Tax return preparers should register immediately using the new PTIN sign-up system available through www.irs.gov/taxpros.

Who Must Wait to File

For most taxpayers, the 2011 tax filing season starts on schedule. However, tax law changes enacted by Congress and signed by President Obama last December mean some people need to wait until mid- to late February to file their tax returns in order to give the IRS time to reprogram its processing systems.

Some taxpayers — including those who itemize deductions on Form 1040 Schedule A — will need to wait to file. This includes taxpayers impacted by any of three tax provisions that expired at the end of 2009 and were renewed by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act Of 2010 enacted Dec. 17. Those who need to wait to file include:

- **Taxpayers Claiming Itemized Deductions on Schedule A.** Itemized deductions include mortgage interest, charitable deductions, medical and dental expenses as well as state and local taxes. In addition, itemized deductions include the state and local general sales tax deduction that was also extended and which primarily benefits people living in areas without state and local income taxes. Because of late Congressional action to enact tax law changes, anyone who itemizes and files a Schedule A will need to wait to file until mid- to late February.

- **Taxpayers Claiming the Higher Education Tuition and Fees Deduction.** This deduction for parents and students — covering up to \$4,000 of tuition and fees paid to a post-secondary institution — is claimed on Form 8917. However, the IRS emphasizes that there will be no delays for millions of parents and students who claim other education credits, including the American Opportunity Tax Credit extended last month and the Lifetime Learning Credit.

- **Taxpayers Claiming the Educator Expense Deduction.** This deduction is for kindergarten

through grade 12 educators with out-of-pocket classroom expenses of up to \$250. The educator expense deduction is claimed on Form 1040, Line 23 and Form 1040A, Line 16.

In addition to extending those tax deductions for 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act also extended those deductions for 2011 and a number of other tax deductions and credits for 2011 and 2012 such as the American Opportunity Tax Credit and the modified Child Tax Credit, which help families pay for college and other child-related expenses. The Act also provides various job creation and investment incentives including 100 percent expensing and a two-percent payroll tax reduction for 2011. Those changes have no effect on the 2011 filing season.

NOTE: On Feb. 14, the IRS planned to start processing both paper and e-filed returns claiming itemized deductions on Schedule A, the higher education tuition and fees deduction on Form 8917 and the educator expenses deduction. Based on filings last year, about nine million tax returns claimed any of these deductions on returns received by the IRS before Feb. 14.

People using e-file for these delayed forms were able to get a head start because many major software providers announced that they would accept the impacted returns immediately. The software providers held on to the returns and then electronically submitted them after the IRS systems opened on Feb. 14 for the delayed forms.

Taxpayers using commercial software could check with their providers for specific instructions and those taxpayers using a paid tax preparer could check with their preparers for guidance.

Most other returns, including those claiming the Earned Income Tax Credit (EITC), education tax credits, child tax credit and other popular tax breaks were filed as normal.

Many Ways to Get Assistance

The IRS is also continuing to focus on taxpayer service. Taxpayers with questions should check the IRS website at www.irs.gov, call our toll-free number or visit a taxpayer assistance center.

This is also the first filing season that tax packages will not be mailed to individuals or businesses. There are still many options for taxpayers to get paper forms and instructions

if they need them. In recent years, fewer and fewer taxpayers received these mailings. Last year, only 8 percent of individuals who filed tax returns received tax packages in the mail. Taxpayers can still get any forms and instructions they need online at www.irs.gov, or they can visit local IRS offices or participating libraries and post offices.

In addition, individuals making \$49,000 or less can use the Volunteer Income Tax Assistance program for free tax preparation and, in many cases, free electronic filing. Individuals age 60 and older can take advantage of free tax counseling and basic income tax preparation through Tax Counseling for the Elderly.

IRS Free File provides options for free brand-name tax software or online fillable forms plus free electronic filing. Everyone can use Free File to prepare a federal tax return. Taxpayers who make \$58,000 or less can choose from approximately 20 commercial software providers. There's no income limit for Free File Fillable Forms, the electronic version of IRS paper forms, which also includes free e-filing.

Check for a Refund

Once taxpayers file their federal return, they can track the status of their refunds by using the “Where’s My Refund?” tool, located on the front page of www.irs.gov. Taxpayers can generally get information about their refunds 72 hours after the IRS acknowledges receipt of their e-filed returns, or three to four weeks after mailing a paper return.

Taxpayers need to provide the following information from their tax returns: (1) Social Security Number or Individual Taxpayer Identification Number, (2) filing status, and (3) the exact whole dollar amount of your anticipated refund. If the U.S. Postal Service returns the taxpayer’s refund to the IRS, the individual may be able to use “Where’s My Refund?” to change the address the IRS has on file, online.

Also, taxpayers may complete a Form 8822, *Change of Address*, and send it to the address shown on the form. They may download Form 8822 from www.irs.gov or order it by calling 800-TAX-FORM. Generally, taxpayers can file an online claim for a replacement check if more than 28 days have passed since the IRS mailed their refund. 

SSA NEWS

W-2C Online

W-2C Online allows you to make corrections to your wage reports over the Internet even if you file your wage reports using methods other than electronic filing. It's just as friendly as W-2 Online and our other electronic services. If you still have any questions about using Social Security's online services for employers, re-visit our website at www.socialsecurity.gov/employer.

Do You Know Where to Go for Help?

Are you looking for help? There is a place on Social Security's website for employers (www.socialsecurity.gov/employer) where you can search for:

- Electronically filing Forms W-2;
- Filing Forms W-2C;
- Business Services Online;
- Wage Reporting Software; and
- Specifications for Filing Forms W-2/W-2C (EFW2/EFW2C), and more.

Improving Wage Reporting

We continue to work on improving future wage reporting publications and the Employer W-2 Instructions and Information website. Your feedback and input are important to our improved efforts. If you would like to share comments about your wage reporting experiences with us, email them to us and include the words "Improving Employer Information" in the subject line. Simply email your comments to: employer@ssa.gov.

Learn More Online

Employer W-2 Filing Instructions and Information, www.socialsecurity.gov/employer

Business Services Online, www.ssa.gov/bsowelcome.htm

User Handbook for Tax Year 2010, www.ssa.gov/employer/bsobhnew.htm

Do You Have Questions About Social Security's Policies and Procedures for Benefits?

We also remind you to visit the SocialSecurity.gov website and search for Have a Question? Find An Answer. This website offers answers to many of your questions. However, we are unable to answer questions about your personal benefits. Give us a try and visit <http://ssa-custhelp.ssa.gov>.

Social Security Unveils a Newly Redesigned Web Site

Social Security unveiled a newly redesigned home page to help visitors find the information and services they seek quickly and easily. This service channel links users directly to the most popular pages on Social Security's web site — the services visitors are most likely to want to use. Employers may select the Business Services tab to access the wealth of resources and the Business Services Online (BSO) application.

Make it Easy to Retire

Social Security would like to remind you "It's so easy!" to retire online. You can apply from the comfort of your home or office and there is no need to drive to your local Social Security office or wait for an appointment with a Social Security representative. You can complete the application in as little as 15 minutes, and in most cases, after you click the "Sign Now" button and submit the application, that's it.

Reminders about the Social Security Statement

Tell your employees and clients about the statement Social Security automatically sends to workers age 25 or older. The statement provides a year-by-year display of earnings reported to the individual's Social Security record. If employees notice any errors, they should contact Social Security immediately since it is much easier to get proof of wages the closer to the tax year that the error occurred. Employees also can request a copy of their Social Security Statement online at any time. The Statement is mailed within 2 - 4 weeks. An employee automatically receives a Statement about 3 months before his or her birthday. If you request a statement, online or in an office, it will stop the next scheduled mailing. This means the person will not receive another automatic statement until the next following year. SSA

Learn More Online

Social Security's website, www.socialsecurity.gov

Business Services, www.socialsecurity.gov/pgm/business.htm

How To Apply Online For Retirement Benefits,

www.socialsecurity.gov/pubs/10523.html

Retire Online, <https://secure.ssa.gov/apps6z/iClaim/rib>

Revised ADA Rules for Businesses

On September 15, 2010, the Department of Justice (DOJ) issued new regulations under Title III of the Americans with Disabilities Act (ADA). Title III applies to all businesses that offer goods and services to the public.

The new regulations clarify and refine many of the issues that were addressed in the 1991 regulations, including the rules for service animals, mobility devices, effective communication, and examinations and courses. They also contain new requirements for ticket sales and hotel reservations policies, neither of which was addressed in 1991. The new rules go into effect on March 15, 2011, with the exception

of the hotel reservation provisions, which go into effect on March 15, 2012.

The regulations also adopt new ADA Standards for Accessible Design (2010 Standards) to replace the 1991 Standards. And, for the first time, accessibility standards have been established for: amusement rides; exercise machines and equipment; fishing piers and platforms; golf facilities; miniature golf facilities; play areas; recreational boating facilities; saunas and steam rooms; shooting facilities with firing positions; swimming pools, wading pools, and spas; routes to playing fields, courts, bowling lanes, and

seating areas for sports teams or players; and residential facilities and dwelling units that are covered by the ADA. The 2010 Standards will go into effect on March 15, 2012.

For more information about DOJ's new ADA regulations, please call the ADA Information Line at 800-514-0301 (voice) or 800-514-0383 (TTY). ADA Specialists are available to answer questions and explain the regulations Monday through Friday from 9:30 a.m. until 5:30 p.m. except on Thursday when the hours are 12:30 p.m. until 5:30 p.m. (Eastern Time). The regulations and publications explaining them can also be viewed at www.ada.gov. DOJ

Tax Changes for Small Businesses

In 2010, new laws, such as the Affordable Care Act and the Small Business Jobs Act of 2010, created or expanded deductions and credits that small businesses and self-employed individuals should consider when completing their tax returns and making business decisions in 2011.

Health Insurance Deduction Reduces Self-Employment Tax

With the enactment of the Small Business Jobs Act of 2010, self-employed taxpayers who pay their own health insurance costs can now reduce their net earnings from self-employment by these costs. Previously, the self-employed health insurance deduction was allowed only for income tax purposes. For tax year 2010, self-employed taxpayers can also reduce their net earnings from self-employment subject to SE taxes on Schedule SE by the amount of self-employed health insurance deduction claimed on line 29 on Form 1040.

Taxpayers can claim the self-employed health insurance deduction if the insurance plan is established under their business and if any of the following are true:

- They were self-employed and had a net profit for the year,
- They used one of the optional methods to figure net earnings from self-employment on Schedule SE, or
- They received wages from an S corporation in which the taxpayer was a more-than-2-percent shareholder.

During tax year 2008, the most recent year for which data is available, the self-employed health insurance deduction was claimed on 3.6 million tax returns, reducing taxpayers' adjusted gross incomes by \$21 billion.

General Business Credit for Employers

The general business credits of eligible small businesses in 2010 are not subject to alternative minimum tax. The new law allows general business credits to offset both regular income tax and alternative minimum tax of eligible small businesses as described in Section 2012 of the Small Business Jobs Act. The provision is effective for any general business credits determined in the first taxable year beginning after December 31, 2009, and to any carryback of such credits. For a list of the general business credits, see Form 3800, www.irs.gov/pub/irs-pdf/f3800.pdf.

Small Businesses Can Benefit from Higher Expensing/Depreciation Limits

For tax years beginning in 2010 and 2011, small businesses can expense up to \$500,000 of the first \$2 million of certain business property placed in service during the year.

In general, businesses can choose to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as section 179 property, after the relevant section in the Internal Revenue Code.

Section 179 property is property that you acquire by purchase for use in the active conduct of your trade or business, including:

- Tangible personal property.
- Other tangible property (except buildings and their structural components) used as:
 - An integral part of manufacturing, production, or extraction or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services;
 - A research facility used in connection with any of the activities in (1) above; or
 - A facility used in connection with any of the activities in (1) above for the bulk storage of fungible commodities.
- Single purpose agricultural (livestock) or horticultural structures.
- Storage facilities (except buildings and their structural components) used in connection with distributing petroleum or any primary product of petroleum.
- Off-the-shelf computer software.

Section 179 property generally does not include land, investment property (section 212 property), property used mainly outside the United States, property used mainly to furnish lodging and air conditioning or heating units.

The Small Business Jobs Act (SBJA) of 2010 increases the section 179 limitations on expensing of depreciable business assets for tax years beginning in 2010 and 2011 and expands temporarily the definition of section 179 property, for tax years beginning in 2010 and 2011, to include certain qualified real property a taxpayer elects to treat as section 179 property. Qualified real property means qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property.

The \$500,000 amount provided under the new law is reduced, but not below zero, if the cost of all section 179 property placed in service by the taxpayer during the tax year exceeds \$2 million.

For tax years beginning in 2012, the maximum amount is \$125,000; before enactment of the 2010 tax relief legislation, it was set at \$25,000.

Depreciation Limits on Business Vehicles

The total depreciation deduction (including the section 179 expense deduction and the 50 or 100 percent bonus depreciation) you can take for a passenger automobile (that is not a truck or a van) you use in your business and first placed in service in 2010 is increased to \$11,060. The maximum deduction you can take for a truck or van you use in your business and first placed in service in 2010 is increased to \$11,160. If you do not take any bonus depreciation for the passenger automobile, truck, or van you use in your business and first placed in service in 2010, the maximum deduction you can take for a passenger automobile is \$3,060 and for a truck or van is \$3,160.

50 or 100 Percent Bonus Depreciation

Generally, businesses can take a special depreciation allowance to recover part of the cost of qualified property placed in service during the tax year. The allowance applies only for the first year you place the property in service.

Businesses that acquired and placed qualified property into service after Sept. 8, 2010 can now claim a depreciation allowance of 100 percent of the cost of the property. The property must be placed in service before Jan. 1, 2012 (Jan. 14, 2013 in the case of certain longer-lived and transportation property). Businesses that acquired qualified property during 2010 on or before Sept. 8, 2010 can claim a depreciation allowance of 50 percent of the cost of the property. The property must be placed in service before Jan. 1, 2013 (Jan. 1, 2014 in the case of certain longer production period property and for certain aircraft.)

The allowance is an additional deduction you can take after any section 179 deduction and before you figure regular depreciation under MACRS for the year you place the property in service. The types of property that can be depreciated are described in IRS Publication 946, *How to Depreciate Property*, www.irs.gov/pub/irs-pdf/p946.pdf.

Small Businesses To Use EFTPS for Deposits Beginning in 2011

The paper coupon system for Federal Tax Deposits will no longer be maintained by the Treasury Department after Dec. 31, 2010. Most businesses must now make deposits and pay federal taxes through the Electronic Federal Tax Payment System (EFTPS).

Using EFTPS to make federal tax deposits provides substantial benefits to both taxpayers and the government. EFTPS users can make tax payments 24 hours a day, seven days a week from home or the office.

Deposits can be made online with a computer or by telephone. EFTPS also significantly reduces payment-related errors that could result in a penalty. The system helps taxpayers schedule dates to make payments even when they are out of town or on vacation when a payment is due. EFTPS business users can schedule payments up to 120 days in advance of the desired payment date.

Information on EFTPS, including how to enroll, can be found at www.irs.gov/efile/article/0%2C%2Cid=98005%2C00.html, or by calling EFTPS Customer Service at 800-555-4477.

Some businesses paying a minimal amount of tax may make their payments with the related tax return, instead of using EFTPS. More details regarding taxes required to be deposited using EFTPS, dollar thresholds and other specific requirements are described on page 2 of IRS Publication 15, (Circular E) *Employer's Tax Guide*, www.irs.gov/pub/irs-pdf/p15.pdf. **IRS**



Spring Cleaning of Your Payroll Records

After you finish your payroll year-end processes, it's a good time to think about cleaning up your files. Which records can you destroy, and which must you keep? The Internal Revenue Code requires all employers that withhold and pay federal income, social security, and Medicare taxes to maintain certain records for each employee. Failing to meet these requirements can mean big penalties, not to mention large settlement awards, should you be unable to provide the required information when requested by IRS or in an employment-related lawsuit.

Income, Social Security, and Medicare Taxes

These are the records that employers must keep for at least four years after the due date of the employee's personal income tax return (generally, April 15) for the year in which the payment was made:

- The Employer Identification Number (EIN).
- Employee name, address, occupation, and social security number.
- Total amount and date of each payment of compensation and any amount withheld for taxes or otherwise. This should include reported tips and the fair market value of non-cash payments.
- Amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the amount withheld for each tax.

- Pay period covered by each payment of compensation.
- The reason(s) why the total compensation and the taxable amount for each tax are different, if that is the case.
- Employee's Form W-4, *Employee's Withholding Allowance Certificate*.
- Beginning and ending dates of employment.
- Statements provided by the employee reporting tips received.
- Information regarding wage continuation payments made to the employee by an employer or third party under an accident or health plan, including the beginning and ending dates of the period of absence from work and the amount and weekly rate of each payment (including payments made by third parties), as well as copies of the employee's Form W-4S, *Request for Federal Income Tax Withholding From Sick Pay*.
- Fringe benefits provided to the employee and any required substantiation.
- Requests from an employee to use the cumulative method of wage withholding.
- Adjustments or settlements of taxes.
- Copies of returns filed, including forms 941, 943, 944, 945, W-3, Copy A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable. (If you can electronically reproduce the undeliverable W-2s, you may shred the originals.)
- Amounts and dates of tax deposits.

Unemployment Tax

Employers subject to the Federal Unemployment Tax Act (FUTA) must also keep records to substantiate the following for at least four years after the due date of Form 940 or the date the required FUTA tax was paid, whichever is later:

- The total amount of employee compensation paid during the calendar year.
- The amount of compensation subject to FUTA tax.
- State unemployment contributions made, with separate totals for amounts paid by the employer and amounts withheld from employees' wages (currently, Alaska, New Jersey, and Pennsylvania require employee contributions).
- All information shown on Form 940.
- The reason why total compensation and the taxable amounts are different, if that is the case.

Department of Labor, State Requirements

There are also record retention requirements set by the Department of Labor (DOL), as well as wage-hour and unemployment insurance agencies on the state level. You can read the DOL's rules at www.dol.gov/dol/topic/wages/wagesrecordkeeping.htm. Links to all state agencies are available at www.americanpayroll.org/weblink/statelocal.

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

National Taxpayer Advocate to Speak at Premier Payroll Education Event

Nina E. Olson, the U.S. National Taxpayer Advocate, will speak at the 29th annual Congress of the American Payroll and American Accounts Payable Associations. The Congress will be at the Salt Palace Convention Center in Salt Lake City, Utah, May 24-27, 2011.

Topics from her most recent Annual Report to Congress that she may address include:

- Complexity of tax code points to need for tax reform
- State domestic partnership laws leave unanswered federal tax question
- Combined Annual Wage Reporting Program imposes substantial burden on employers
- Congress should repeal 1099 reporting on purchases of goods (currently slated for tax-year 2012)
- Health care reform will create a "benefits administration" role within IRS
- Tax collection should be balanced with protecting financially struggling taxpayers

The APA/AAPA Congress offers over 170 educational workshops, including the latest compliance developments from the IRS, SSA, Office of Child Support Enforcement, Department of Labor, and Department of Homeland Security; the world's largest payroll, accounts payable, and finance Expo, with over 100 exhibitors; and countless networking and motivational opportunities among 2,000 attendees. It is open to all involved in payroll, accounts payable, human resources, benefits, and associated technology. More information about the Congress is available at www.americanpayroll.org/congress. **APA**

Stay in Compliance with APA's Payroll Tax Forum

Payroll is one of the most regulated aspects of any business. The cost of noncompliance is steep. By attending an American Payroll Association (APA) Payroll Tax Forum, a one-day course offered in 30 cities nationwide, June 13-24, 2011, you can avoid penalties by learning about the latest payroll-related changes from Congress and federal agencies such as the IRS, DOL, SSA, and the Department of Homeland Security.

Topics include tax changes under the Tax Relief Act of 2010, new rules under the health care reform laws, the requirement of a Preparer Tax Identification Number for all tax return preparers, randomization of social security numbers starting in June 2011, proposed new substantiation requirements to exempt an employee from overtime pay, and payroll-related proposals from President Obama.

The class also includes explanation of the taxation and reporting of some of the most common benefits; review of the annually adjusted wage bases and benefit limits; and discussion of revisions to IRS forms and publications. Most of the one-day classes also include a presentation by IRS and SSA. For more information, visit the APA Web site at www.americanpayroll.org/taxforum. **APA**

Follow the IRS on YouTube and Twitter

The IRS uses social media tools and platforms to share the latest information on tax changes, initiatives, products and services. These social media platforms include YouTube and Twitter. A listing is available on IRS.gov.

YouTube

The IRS has short and informative YouTube videos on tax related topics in English, American Sign Language (ASL) and a variety of foreign languages:

- IRS Videos — www.youtube.com/irsvideos
- ASL Videos — www.youtube.com/IRSVideosASL
- Multilingual Videos — www.youtube.com/IRSVideosMultilingua

Twitter

IRS tweets include various tax-related announcements, news for tax professionals and hiring initiatives:

@IRSnews — twitter.com/irsnews

IRS news and helpful information for the public, the press and practitioners

@IRSTaxpros — twitter.com/irstaxpros

IRS news and guidance for tax professionals

@RecruitmentIRS — twitter.com/recruitmentirs

IRS Human Capital Office

@YourVoiceatIRS — twitter.com/yourvoiceatirs

Taxpayer Advocate Service

@IRSenEspañol — twitter.com/irsenespanol

Información, Comunicados de Prensa y Noticias en Español del IRS

News and information in Spanish from IRS

Audio Files for Podcasts

The IRS creates audio files for use as podcasts. Each short audio recording provides information on one tax related topic. The audio files and their transcripts can be found in the Multimedia Center on IRS.gov. These files are also available as podcasts on iTunes.

Widgets

Widgets are tools that can be placed on websites, blogs or social media networks to direct others to IRS.gov for information. The IRS has developed a variety of widgets that feature the latest tax initiatives and programs. These widgets can be found on Marketing Express, the marketing site that allows IRS partners and tax preparers to customize their IRS communications products. **IRS**

E-Verify and Form I-9 Free Training

The Department of Homeland Security offers a variety of free, live webinars about the Form I-9, Employment Eligibility Verification, and E-Verify.

The E-Verify Existing Users and Federal Contractors webinars have recently been updated. To register, go to <http://go.usa.gov/rIT>. Visit www.dhs.gov/e-verify for general information. **DHS**

Reporter

SSA/IRS Reporter is published quarterly, Spring (March), Summer (June), Fall (Sept.), and Winter (Dec.) by the IRS Small Business/Self-Employed Communications Office.

Comments may be sent to Laura Askew, Editor

Mail (NOT for change of address):

Internal Revenue Service
Small Business/Self-Employed Communications
C2-378, New Carrollton Federal Building
5000 Ellin Road
Lanham, MD 20706

e-mail (NOT for change of address):

SSA.IRS.REPORTER@irs.gov

Change of Address? Out of Business?

Notify the IRS. Submit Change of Address Form 8822 available at www.irs.gov/pub/irs-pdf/f8822.pdf to the IRS center to which you sent your business returns. Please include your Employer Identification Number (EIN).

Cincinnati IRS Center Cincinnati, OH 45999

Ogden IRS Center MS:6273, Ogden, UT 84207
Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center, Philadelphia, PA 19255

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IRS and SSA "Help" Phone Numbers, Web Addresses, and Additional Resources Now on IRS.gov

IRS and SSA "Help" telephone numbers, Web addresses, and additional resources are now posted on IRS.gov at www.irs.gov/businesses/small/article/0%2C%2Cid=109886%2C00.html.

SUBSCRIBE TO *e-News for Small Businesses* AND *e-News for Payroll Providers*

e-News for Small Businesses provides tax information for small business owners and self-employed individuals. It is distributed every other Wednesday.

e-News for Payroll Providers provides tax information specifically geared to the payroll industry and those who prepare federal payroll returns.

For small businesses in general or the payroll industry in particular, the newsletters will provide:

- Important upcoming tax dates for SB/SE customers
- What's new for small businesses on the IRS Web site
- Reminders and tips to assist small businesses/self-employed with tax compliance
- IRS news releases and special IRS announcements that pertain to SB/SE customers
- Tax-related information from other federal agencies

To start your free subscriptions, visit www.IRS.gov and type e-News for Small Businesses or e-News for Payroll Providers in the search area to access the sign-up pages.



Reporter

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Summer 2011

A Newsletter for Employers

Interim Guidance on Form W-2 Reporting of Health Care Coverage

As described in press release [IR 2011-31](#), the IRS issued interim guidance to employers, [Notice 2011-28](#), on informational reporting of each employee's annual Form W-2 of the cost of the health insurance coverage they sponsor for employees. The IRS is also requesting comments on this interim guidance.

This new reporting to employees is for their information only — to inform them of the cost of their health coverage, and *does not* cause excludable employer-provided health coverage to become wages or income or to be subject to tax. The cost will be reported in Box 12 with Code DD on Forms W-2.

The Affordable Care Act provides that employers are required to report the cost of employer-provided health care coverage on the Form W-2. [Notice 2010-69](#), issued last fall, made this requirement optional for all employers for the 2011 Forms W-2 (generally furnished to employees in January 2012).

Notice 2011-28 provides relief for smaller employers (those filing with the SSA fewer than 250 Forms W-2 for the previous year) by making this requirement optional for them at least for 2012 Forms W-2. Therefore, any employer that files fewer than 250 Forms W-2 for 2011 (generally furnished in 2012) will not be subject to the requirement for 2012 Forms W-2. The relief for

small employers will continue until further guidance is issued.

Other types of relief that will apply for 2012 and until further guidance include exceptions for:

- multiemployer plans,
- separate dental and/or vision plans, and
- Forms W-2 that are furnished to employees who terminate before the end of a calendar year and request a Form W-2 before the end of that year.

For employers that are subject to the reporting requirement for 2012 Forms W-2 (or who choose to report the cost of health care coverage on the 2011 Forms W-2), the notice explains:

- how to calculate the cost of coverage, generally including amounts paid by the employer and the employee, but also covering methods for self-insured plans;
- how to treat salary reductions for health flexible spending arrangements; and
- that employers will not be required to issue a Form W-2 to anyone to whom the employer would not otherwise issue one (such as retirees with continuing health benefits).

More information about the tax provisions in the Affordable Care Act is on the [ACA pages](#) of IRS.gov. **IRS**

Social Security Number Randomization

Social Security is changing the way Social Security numbers (SSN) are issued. This change is referred to as "randomization." Social Security is developing this new method to help protect the integrity of the SSN. SSN Randomization will also extend the longevity of the nine-digit SSN nationwide. Social Security plans to implement the new assignment methodology on June 25, 2011.

SSN randomization will affect the SSN assignment process in the following ways:

- It will eliminate the geographical significance of the first three digits of the SSN, currently referred to as the area number, no longer allocating the area numbers for assignment to individuals in specific states.
- It will eliminate the significance of the highest group number

continued on page 2

NEWS & NOTES

Do You Really Need to See the Card?

Employers often ask to see an employee's Social Security card. But, do you really need to see the card? Since 1936, Social Security has issued over 30 different versions of the Social Security number (SSN) card which makes it difficult to recognize a valid card. Sometimes when you ask an employee to show you his or her card the employee can't find it. In either case, you don't have to send that person to a local Social Security office.

Use the free Social Security Number Verification Service (SSNVS) instead. SSNVS allows registered employers to quickly verify whether a person's name and SSN match Social Security's records. You can even print out a copy of Social Security's response to document your personnel folder. It saves you and the employee time. [SSA](#)

Learn More Online

- Employer W-2 Instructions and Information:

www.socialsecurity.gov/employer

Is it True I Can Correct Forms W-2 Online?

Absolutely! With W-2C Online you can complete up to five Forms W-2C on the computer, submit them, and print copies for your employees and for your records. It's all free! If you have more than five to correct, then start a new set of W-2Cs. At Social Security's employer website you'll find all the information you need.

If you already have W-2C software, you can test your files using Social Security's free AccuW2C software before you send them to us. Then upload your W-2C file (EFW2C format) to Social Security for free. File your W-2Cs as soon as possible after discovering an error and provide a copy to your employee. [SSA](#)

Learn More Online

- Employer W-2 Instructions and Information:

www.socialsecurity.gov/employer

- W-2C Online: www.socialsecurity.gov/employer/bsotut.htm

- EFW2C Online: www.socialsecurity.gov/employer/pub.htm

- Business Services Online Handbook:

www.socialsecurity.gov/employer/bsobhnew.htm

- Employer Reporting Service Center:

800-772-6270, Monday – Friday, 7am – 7pm (EST)

Social Security Randomization

continued from page 1

and, as a result, the High Group List will be frozen and but can be used for validated SSNs issued prior to the randomization implementation date.

- Area numbers previously unassigned will be introduced for assignment excluding area numbers 000, 666 and 900-999.

These changes to the SSN may require systems or business process updates to accommodate SSN randomization. [SSA](#)

Learn More Online

- Social Security Number Randomization Frequently Asked Questions:

www.socialsecurity.gov/employer/randomizationfaqs.html

IRS No Longer Mailing Employment Tax Forms Packages

The IRS has stopped mailing employment tax form packages to business taxpayers including Form 941, *Employer's Quarterly Federal Tax Return*.

A complete list of the affected employment, excise and income tax forms is available at on IRS.gov. IRS.gov has information on downloading or ordering forms and instructions to file paper returns. Most business forms are also available via tax professionals and tax software.

The IRS took these steps due to the continued growth in business electronic filing and to reduce costs. [IRS](#)

IRS Employee Plans—Free Resources!

The Internal Revenue Service has great information on retirement plans ranging from choosing one for your company to frequently asked questions on taking money out—all for free! Visit www.irs.gov/retirement/index.html for great information on:

- Choosing a Retirement Plan – the *Retirement Plans Navigator* is a Web guide to help your business choose a retirement plan, including a chart to help you compare different kinds of plans.
- Maintain Plans and Correct Mistakes – the *Retirement Plans Navigator* offers resources to help you maintain your plan and correct plan mistakes.
- Types of Plans – detailed descriptions and resources of various types of retirement plans and the rules that apply to them.
- Forms/Publications/Products – a list of forms and publications relating to retirement plans available to view and download.
- The *Retirement News for Employers* newsletter – a free, electronic newsletter with retirement plan information for business owners.
- Frequently Asked Questions – on a variety of retirement plan topics.
- Customer Service – for help with technical and procedural retirement plan questions. [IRS](#)

What's New with New Hire Reporting? Date of Hire

Did you know that New Hire Reporting is one of the best tools for locating noncustodial parents who may be evading their child support responsibilities? Employers play a key role in ensuring children receive the financial support they need. The Personal Responsibility and Work Opportunity Act (PRWORA) of 1996 requires employers to report all new hires to their State Directory of New Hires. Moreover, the Claims Resolution Act of 2010 was recently passed to reform the Unemployment Insurance program, including changes to Section 453A (b) and (c) of the Social Security Act. This legislation added a new requirement for employers to report, in addition to other information, the date that an employee first performs services for pay. The "first day of work" law goes into effect June 8, 2011. For more information on new hire reporting visit the Federal Office of Child Support Enforcement website at www.acf.hhs.gov/programs/cse/newhire/employer/private/newhire.htm. [HHS](#)

Use IRS Withholding Calculator to Adjust your Withholding

As of March 18, the Internal Revenue Service had issued more than 63 million refunds for an average of \$3,004 per refund.

The larger the tax refund you receive the more money you've paid throughout the year because your withholding does not accurately reflect the tax you owed. Of course, there are some exceptions—special tax credits may be the cause of a larger refund or you could have owed tax when you filed your tax return this year. Either way, it may be time to evaluate your tax withholding and determine whether it needs to be adjusted.

If you are an employee, the IRS Withholding Calculator can help you determine whether you need to give your employer a new Form W-4,

Employee's Withholding Allowance Certificate.

This will help to avoid having too much or too little federal income tax withheld from your pay. You can use your results from the calculator to help fill out the form. The IRS Withholding Calculator can be accessed on www.irs.gov—enter the word calculator in the search box. You can also use the Form W-4 worksheets in Publication 919, *How Do I Adjust my Tax Withholding?*

Major life changes also could mean a necessary change in your withholding. Marriage, divorce, death of a dependent, and the birth or adoption of a child are all life changes that can require a change the number of exemptions claimed on your W-4. Check your withholding if there are personal

or financial changes in your life or changes in the law that might affect your tax liability.

Ask yourself this question, "Is there a better way to make sure I'm putting my money to work throughout the year?" You may want to consider using the IRS Withholding Calculator to reevaluate both your 2011 tax withholding and your estimated tax payments. 

Related Items

- Publication 919, *How Do I Adjust my Tax Withholding?*
- IRS Withholding Calculator
- Form W-4, *Employee's Withholding Allowance Certificate*

Office of Special Counsel for Immigration-Related Unfair Employment Practices

The Office of Special Counsel for Immigration-Related Unfair Employment Practices (OSC), in the Justice Department's Civil Rights Division, is responsible for enforcing the anti-discrimination provision of our nation's immigration law, the Immigration and Nationality Act. Employers must know that while they have the obligation to obey immigration law by hiring only authorized workers, they also must not violate anti-discrimination laws when hiring or firing workers.

Specifically, the law prohibits employers from engaging in four types of discriminatory acts: First, employers may not refuse to hire and may not terminate workers authorized to work in the United States because of national origin or citizenship status. For example, employers may not refuse to hire a job applicant because of the applicant's foreign appearance or accent. Second, employers may not require job applicants to hold a certain citizenship or visa status unless mandated by law or government contract. This means that preferences for U.S. citizens or temporary visa holders are against the law. Moreover, an employer who prefers to hire undocumented workers over authorized workers may be violating

immigration law in two distinct ways—by employing unauthorized workers and by discriminating against authorized workers who may be protected for citizenship status discrimination. Third, employers may not discriminate by demanding more documents than what the law requires from workers to prove identity and eligibility to work in this country (known as "document abuse"). A list of acceptable documents is provided on the back of the Employment Eligibility Verification form (commonly known as Form I-9), which employers must complete for all newly hired workers. Finally, employers may not retaliate against workers who assert their rights under the anti-discrimination provision. Employers who discriminate or retaliate against workers may be required to hire or rehire the worker, pay back wages, pay civil penalties, change internal policies to avoid further discrimination, and comply with a monitoring period imposed by the Department of Justice.

To better understand employers' responsibilities under the anti-discrimination provision, please visit OSC's website at www.justice.gov/crt/about/osc. OSC also operates a telephone hotline which serves as an informal means of alternate

dispute resolution. Through its hotline, OSC staff can successfully intervene to resolve an allegation of discrimination, precluding the need for OSC to investigate further. Employers can also call the hotline with questions about avoiding discrimination during the I-9 and E-Verify processes, as well as answering questions about non-discriminatory practices relating to hiring and termination.

Another effective way to become familiar with employers' obligations is to take advantage of OSC's public education and outreach resources. OSC has conducted many outreach presentations to employers and employer groups across the country. Additionally, a variety of printed and video outreach materials are available for download from the OSC website at www.justice.gov/crt/about/osc. Upon request, OSC will also send reasonable quantities of these printed and video materials at no cost.

OSC looks forward to working with employers to ensure that they are in compliance with the anti-discrimination provision of the INA by not engaging in national origin or citizenship status discrimination. 



Get New Hire Paperwork Done Right the First Time

As the economy continues to improve, you may be considering bringing on new employees. If you do, here are some tips from the American Payroll Association on getting the paperwork done right the first time and avoiding potential problems.

Verify Work Eligibility

Verify that the employee is legally eligible to work in the United States. The employee and employer must each complete their parts of Form I-9, *Employment Eligibility Verification*, and the employee must show original documents that prove the employee's identity and work authorization. Go to www.uscis.gov/I-9 for the latest version of the form, the list of acceptable documents, and *Handbook for Employers*.

More than 255,000 employers use the E-Verify system at www.dhs.gov/E-Verify, which electronically verifies the employment eligibility of a newly hired employee and whether the employee's name and social security number (SSN) match the government's records. E-Verify is operated by U.S. Citizenship and Immigration Services. Its use is required by most federal government contractors for new hires and current employees working on an eligible contract. Several states also require certain employers to use E-Verify, including Arizona, Georgia, Minnesota, Mississippi, Missouri, Nebraska, Oklahoma, South Carolina, Tennessee, and Utah.

Withholding Allowance Certificates

The employee should complete a federal Form W-4, *Employee's Withholding Allowance Certificate* (www.irs.gov/pub/irs-pdf/fw4.pdf) and any applicable state or local withholding form so the employer knows how much income tax to withhold. If the employee does not complete and submit a Form W-4, withhold federal income tax based on a marital status of "single" and zero withholding allowances.

You may ask the employee to show you the Social Security card (and you may photocopy it) to increase the likelihood that the name and SSN that you enter in your payroll records and provide in federal and state reporting (such as Form W-2) are correct. Accuracy ensures that the employee can get all the benefits to which he or she is entitled, such as unemployment insurance and, eventually, retirement benefits, and it ensures that you won't receive notices of errors and potential penalties.

Verify Employee's Name and Number

Even if you saw the employee's social security card, it's a good idea to verify the match of the name and SSN, in case of a name change or fraud. Plus, it's easy and free. You can do it online at www.ssa.gov/employer/ssnv.htm.

Verify Employee's Name and Number

The registration process for online verification can take a few days because your authorization for using the Social Security Number Verification Service must be mailed to your employer. Once you are registered, you can also use the telephone service at 1-800-772-6270 to verify the information of up to five employees at a time. Be prepared with the employer's name and federal EIN and the employee's name, SSN, sex, and date of birth.

More information, including how to correctly format complex names and what to do if the employee never

gives you a SSN, is available at www.socialsecurity.gov/employer/critical.htm.

gives you a SSN, is available at www.socialsecurity.gov/employer/critical.htm.

New Hire State Reporting

Each new hire must be reported to the state in which he or she works shortly after the date of hire. This information is matched against child support records at the state and national levels to locate parents who owe child support. In addition, many states are using the information to combat fraud in the areas of unemployment insurance, disability insurance, and workers' compensation benefits.

The information that must be reported is the employee's name, address, and SSN, plus the employer's name, address, and federal EIN. Some states also require more data elements. And, beginning in the summer of 2011, employers must include the first day of work for which the employee is paid.

New hire reporting may be accomplished as easily as faxing a copy of the employee's W-4 to a state agency, but every state offers more methods, ranging from mailing a printed report to interactive telephone systems to Internet submissions. In addition, multi-state employers may elect to send all their new hire reports to just one state. More information, including links to each state's requirement, is at www.acf.hhs.gov/programs/cse/newhire/employer/private/newhire.htm. **APA**

*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 information about the APA is available at www.americanpayroll.org.*

Iowa Passes Child Support e-Payment Legislation

Iowa is the 13th state to require employers to remit their child support payments electronically. By December 31, 2011, employers with 1,000 or more employees must remit support payments electronically. For employers with 500 to 999 employees, the compliance date is December 31, 2012. For employers with 200 to 499 employees AND employers with 100 or more employees using an agent for payroll processing, the compliance date is December 31, 2013.

Employers with fewer than 200 employees and who handle their own payroll are not subject to

the electronic funds transfer (EFT) mandate. Employers with fewer than 100 employees and who use a payroll service provider are also not subject to the EFT mandate. If it is determined that EFT would cause undue hardship, employers may elect to submit payments electronically through a website operated by the State of Iowa.

For more information, contact:
Iowa Collection Services Center
Phone: 877-274-2580
Email: csrue@dhs.state.ia.us
Website: www.iowachildsupport.gov or
secureapp.dhs.state.ia.us/epay.

Other states that passed legislation mandating EFT for child support payments are California, Florida, Illinois, Indiana, Massachusetts, Nebraska, Nevada, Ohio, Oregon, Pennsylvania, Texas, and Virginia. For their state-specific requirements, please visit the Office of Child Support Enforcement website at www.acf.hhs.gov/programs/cse/newhire/employer/private/electronic_payments_legislation.htm.

For more information, contact Nancy Benner at nancy.benner@acf.hhs.gov or by phone at 202-401-5528. **HHS**

E-Verify Gets High Scores

E-Verify, the free web-based employment eligibility verification service run by the Department of Homeland Security (DHS), gets high scores from employers for customer service and ease of use. E-Verify allows employers to quickly verify the eligibility of their newly hired employees to legally work in the United States.

Customer Service

E-Verify offers highly rated customer support. According to an independently conducted American Customer Satisfaction Index (ACSI) survey, E-Verify customers give the E-Verify user experience an overall customer satisfaction score of 82 out of a possible 100. That's well above the average federal government rating of 69. View the survey online at <http://go.usa.gov/2C2>.

One of the aspects of E-Verify that respondents liked the most was its customer support, which received a score of 89. Other key findings of the survey revealed that the overwhelming majority of users were likely to recommend E-Verify to other employers, were confident in E-Verify's accuracy, and were likely to continue using the program.

DHS has introduced and expanded several initiatives that improve and support the E-Verify customer experience, including a new web interface, passport photo matching, revised website, an expanded selection of free webinars, timely updates via Twitter and an e-newsletter.

New Interface

The redesigned E-Verify web interface enhances E-Verify's usability, security, accuracy and efficiency. The redesigned E-Verify features a clean and modern design, easy and intuitive navigation, and clear and simple language. The new design is highly rated by customers.

Typically, verifying an employee's employment eligibility with E-Verify requires only three steps. For example, the first step in creating a case is to enter the employee's Form I-9 information. The redesigned interface streamlined the process to make it easier and reduce typos and other data-entry errors that may cause tentative nonconfirmations. View a short video to see how easy it is to create a case in E-Verify on E-Verify's website, www.dhs.gov/e-verify.

E-Verify users give the enrollment process a high score and rate the program as fast and easy to use, according to ACSI survey results. To make sure enrollment is easy, DHS produced a short video that quickly explains what's involved. That video is also on E-Verify's website.

Passport Photo Matching

DHS has enhanced the E-Verify web interface by adding Passport Photo Check, a new feature that matches data and photos from U.S. passports to assist in the verification process. Passport Photo Check is an important step to improve the accuracy and integrity of E-Verify.

Webinars

DHS offers free webinars throughout the month specially designed for current and prospective users. Webinar topics include: E-Verify Overview, E-Verify for Existing Users, Federal Contractor E-Verify, and Form I-9. Participants have the opportunity to question the presenter. To attend a free live seminar without leaving the office, register for a webinar at <http://go.usa.gov/it1>.

They Tweet, Too

For short, timely updates about E-Verify and Form I-9, follow on Twitter@USCIS. For summaries of E-Verify's advances and activities, check out E-Verify Connection at <http://go.usa.gov/2Cb>, an e-newsletter distributed by U.S. Citizenship and Immigration Services. To subscribe, send a message with SUBSCRIBE in the subject line to E-VerifyOutreach@dhs.gov.

E-Verify is Growing

E-Verify is currently used by more than 250,000 employers at over 860,000 worksites. E-Verify is growing rapidly, with about 1,200 new businesses enrolling each week. For most employers, using E-Verify is voluntary and limited to verifying new employees only. Since September 2009, E-Verify is mandatory for many federal contractors.

For more information about E-Verify, visit www.dhs.gov/E-Verify. E-Verify customer support is also available to answer your questions. Call 888-464-4218 or email E-Verify@dhs.gov. 

Employers Matter: Child Support Reaches Out to Employers

The Federal Office of Child Support Enforcement (OCSE) is hosting an Employer Symposium August 3 – 4, 2011 in Atlanta, GA. Leading executives, business practitioners, payroll professionals and judicial representatives from around the country, as well as state and federal child support program professionals, will come together for this invitation-only conference. Attendance is limited to 100 participants to ensure an in-depth discussion of areas that contribute to the success

of the partnership between the child support program and employers. The Symposium will bring together key decision-makers and experts from the child support, employer and judicial communities to discuss areas of mutual concern and identify both short- and long-term solutions. The Symposium will be conducted in a group setting to discuss revisions to the income withholding for support order (IWO); electronic business practices such as electronic income withholding orders

(e-IWOs), e-payments and automating the National Medical Support Notice (NMSN); improving communication between stakeholders; reporting and withholding from lump sum payments; and new business trends. Recommendations from the discussions will be compiled and shared with all state and tribal child support agencies, representatives of the employer community, and the judiciary. For more information about the conference, email employerservices@acf.hhs.gov. 

USCIS Issues Updated Form I-9, Handbook for Employers

The *Handbook for Employers: Instructions for Completing Form I-9*, issued by U.S. Citizenship and Immigration Services (USCIS), helps employers better understand the Form I-9, *Employment Eligibility Verification*, process. The revised *Handbook for Employers* (Rev. 01/05/11), is available on the Form I-9 page of www.uscis.gov, and in the publications section of www.dhs.gov/E-Verify.

By law, all employers must verify the identity and employment authorization for every worker hired to work in the United States after November 6, 1986. To comply with the law, employers must complete Form I-9, *Employment Eligibility Verification*.

The *Handbook for Employers*, also known as the M-274, is the official guide for the Form I-9 process. Some of the many improvements, new sections, and tools included in this revision are:

- New visual aids for completing Form I-9
- Expanded guidance on lawful permanent residents, refugees and asylees, individuals in Temporary Protected Status (TPS), and exchange visitors and foreign students
- Expanded guidance on the processing of employees in H1-B and H2-A status
- Expanded guidance on extensions of stay for employees with temporary employment authorization
- Examples of new and revised documents issued by USCIS
- Guidance on Native American tribal documents
- Electronic storage and retention of Forms I-9
- Updated answers to frequently asked questions

The *Handbook for Employers* now also includes information for employers in the Commonwealth of the Northern Mariana Islands (CNMI). CNMI employers must verify employment authorization on the Form I-9 CNMI for all employees hired on or after November 28, 2009. The Handbook for Employers highlights information about documents CNMI employers may accept from their new hires.

USCIS also offers free live webinars about the Form I-9 process. Go to <http://go.usa.gov/riT> to register for a webinar.

For more information, visit www.uscis.gov or call 888-464-4218. 

Reporter

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Comments may be sent to Laura Askew, Editor

Mail (NOT for change of address):

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C2-378, New Carrollton Federal Building
5000 Ellin Road
Lanham, MD 20706

e-mail (NOT for change of address):

SSA.IRS.REPORTER@irs.gov

Change of Address? Out of Business?

Notify the IRS. Submit Change of Address Form 8822 available at www.irs.gov/pub/irs-pdf/f8822.pdf to the IRS center to which you sent your business returns. Please include your Employer Identification Number (EIN).

Cincinnati IRS Center Cincinnati, OH 45999

Ogden IRS Center MS:6273, Ogden, UT 84207
Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center, Philadelphia, PA 19255

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IRS and SSA "Help" Phone Numbers, Web Addresses, and Additional Resources Now on IRS.gov

IRS and SSA "Help" telephone numbers, Web addresses, and additional resources are now posted on IRS.gov at www.irs.gov/businesses/small/article/0%2C%2Cid=109886%2C00.html.

SUBSCRIBE TO *e-News for Small Businesses* AND *e-News for Payroll Providers*

e-News for Small Businesses provides tax information for small business owners and self-employed individuals. It is distributed every other Wednesday.

e-News for Payroll Providers provides tax information specifically geared to the payroll industry and those who prepare federal payroll returns.

For small businesses in general or the payroll industry in particular, the newsletters will provide:

- Important upcoming tax dates for SB/SE customers
- What's new for small businesses on the IRS Web site
- Reminders and tips to assist small businesses/self-employed with tax compliance
- IRS news releases and special IRS announcements that pertain to SB/SE customers
- Tax-related information from other federal agencies

To start your free subscriptions, visit www.irs.gov and type *e-News for Small Businesses* or *e-News for Payroll Providers* in the search area to access the sign-up pages.



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Internal Revenue Service

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Fall 2011

A Newsletter for Employers

One Billion Served: IRS e-file Passes Major Milestone

IRS e-file has reached a major milestone as it passed the one billion mark for individual tax returns processed safely and securely since 1986.

The Internal Revenue Service's electronic filing program started as a pilot project in 1986 and became available nationally in 1990. Prior to the April 18 deadline, IRS e-file passed another high point as more than 100 million individual tax returns were e-filed during the 2011 filing season.

IRS e-file is an electronic transmission system that sends tax returns to IRS processing centers. Taxpayers can e-file through their tax preparers, through commercial software they use to prepare their own returns, or through Free File, the free tax software and e-file program offered through IRS.gov.

Congress originally set an 80 percent goal for the electronic

filing of federal tax and information returns back in 1998.

IRS e-file is now very close to that mark. Currently, more than 79 percent of taxpayers have used e-file to submit their tax returns so far this year.

In 2009, Congress passed another provision requiring tax preparers who file 10 or more tax returns to use e-file. IRS e-file has been steadily growing, but the new law, which the IRS is phasing in, brought a surge of e-filed returns for 2011. For this year, tax preparers who filed 100 or more returns were required to e-file.

For 2012, tax preparers who file 11 or more returns will be required to e-file. The requirement should put the IRS within reach of its goal of 80 percent e-file rate for individual tax returns. **IRS**

Requests for Copies of Form W-2

Generally, requests for federal tax or related federal tax issues are for the Internal Revenue Service (IRS). Social Security does provide copies of the Form W-2 at no cost if the request is for a program-related issue that includes: inquiries involving employer reconciliation, IRS and Social Security discrepancies, missing wage reports, duplicate tax returns, third-party filing, and IRS issues. However, Social Security does not retain state and local tax related data for electronically filed W-2s.

Social Security charges \$30 for each W-3 and \$3.00 for each W-2 requested by an employer or third party. We also

charge a fee if the request is made for a non-program related purpose such as: filing federal or state tax returns, resolving state tax discrepancies, establishing residency, lost forms, and pension fund issues. The fee includes the search, review, and copies of information even if no information is available for the information requested.

Please remember to keep copies of the Form W-2 for four years after filing in case your need them in the future.

To request copies from Social Security, submit your request on company letterhead or use the IRS Form 4506. Include the following:

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IRS Increases Mileage Rate to 55.5 Cents per Mile

The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2011. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business and other purposes.

The rate will increase to 55.5 cents a mile for all business miles driven from July 1, 2011, through Dec. 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011, as set forth in Revenue Procedure 2010-51.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2011. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"This year's increased gas prices are having a major impact on individual Americans. The IRS is adjusting the standard mileage rates to better reflect the recent increase in gas prices," said IRS Commissioner Doug Shulman. "We are taking this step so the reimbursement rate will be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by 4.5 cents to 23.5 cents a mile, up from 19 cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in [Announcement 2011-40](#) on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates. **IRS**

I-9 Central Helps All Employers

US Citizenship and Immigration Services (USCIS) recently launched [I-9 Central](#), a new online resource center dedicated to making Form I-9, *Employment Eligibility Verification*, information more accessible. I-9 Central provides one online location for the information employers and employees need to properly complete Form I-9.

Serving Employers and Employees

As part of USCIS' ongoing commitment to customer service, I-9 Central makes accessing Form I-9 guidance easier for you, while making it easier for USCIS to provide you quick updates. "I-9 Central is the latest in our ongoing efforts to improve service to the 7.5 million employers who use Form I-9 every time they hire an employee," said USCIS Director Alejandro Mayorkas. It comes on the heels of other USCIS employment-related initiatives, such as E-Verify Self Check and an updated *Handbook for Employers: Instructions for Completing Form I-9* (M-274).

Used by All Employers

Form I-9, is the most-accessed form on www.USCIS.gov. Since 1986, all employers have been required to complete a Form I-9 every time they hire a new employee. That makes Form I-9 the U.S. Citizenship and Immigration Service's most commonly used form.

Features

I-9 Central has sections about employer and employee rights and responsibilities, step-by-step instructions for

completing Form I-9, and information on acceptable documents for establishing identity and employment authorization. I-9 Central includes a discussion of common mistakes, guidance on how to correct errors, and answers to recent and complex questions from employers. The *What's New* section keeps employer and employees up to date with emerging information related to Form I-9 processing.

Other Resources

I-9 Central complements the current Form I-9 page of www.USCIS.gov and the *Handbook for Employers* (M-274). USCIS offers free live webinars about Form I-9. Visit I-9 Central to see the webinar schedule. I-9 Central also links you to related information in other federal agencies.

You can also access [E-Verify information](#) and enroll in the free, internet-based Department of Homeland Security (DHS) service that allows employers to electronically verify the employment eligibility of employees using information collected on Form I-9.

Now, [Self Check](#), a new service from E-Verify, empowers employees to check their own employment eligibility status online even before seeking employment, and, if necessary, learn how to update information.

I-9 Central, E-Verify and E-Verify Self Check work together to make employment eligibility verification easier for employers and employees alike. **DHS**

Copies of Form W-2

continued from page 1

- Employer identification number (EIN);
- Name shown on the Social Security card (and any different names as shown on the W-2);
- The complete mailing address;
- Years requested;
- Reason for the request;
- Daytime telephone number;
- Contact person's name/title and telephone number; and
- Authorized signature.

Include payment (if applicable) by check or money order payable to the Social Security Administration and mail to:

**Social Security Administration
Division of Earnings Records Operations
P.O. Box 33003
Baltimore, Maryland 21290-3003**

For more information on how to request copies from prior years, visit

http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/301/kw/request%20copies%20of%20W-2s. **SSA**

Simplified Employee Pension Plan for Partnerships

Each partner in a partnership cannot maintain a separate Simplified Employee Pension plan. Only an employer can have a SEP and contribute to SEP-IRAs for its employees. For retirement plan purposes, each partner or member of an LLC taxed as a partnership is an employee of the partnership.

In addition to the partners, the partnership's SEP plan must generally cover all employees who:

- are age 21,
- worked for the partnership in at least 3 of the last 5 years, and
- received at least \$550 of compensation in 2011 (subject to annual [cost-of-living adjustments](#))

The plan may use less restrictive participation requirements to cover employees. For example, the plan can include all employees as soon as they are hired.

Under the SEP plan, the partnership contributes to each eligible employee's SEP-IRA, which each employee owns and controls. The partnership:

- deducts plan contributions for employees other than the partners as a business expense on Line 18 of [Form 1065, U.S. Return of Partnership Income \(instructions\)](#) and
- reports plan contributions for partners in Box 13, using Code R, on each partner's [Schedule K-1 \(Form 1065\), Partner's Share of Income, Deductions, Credits, etc. \(instructions\)](#).

Partners deduct plan contributions they make for themselves on their [Form 1040, U.S. Individual Income Tax Return \(instructions\)](#), Line 28. If the partnership made a mistake by not including an eligible employee in the plan, it can be corrected by visiting the [SEP Fix-It Guide](#).

Additional Resources

- [SEP Plan Web pages](#)
- [Small Business Retirement Plan Resources Web page](#)
- [Publication 560, Retirement Plans for Small Businesses](#)
- [Publication 4333, SEP Retirement Plans for Small Businesses](#)
- [IRS Retirement Plans Navigator Web site](#)
- [SEP Plan Pitfalls — Phone Forum \(February 26, 2010\) \(Handout\)](#) IRS



Prepare for 'Split' Reporting on 2011 Form 940 with Surtax Expiration

The 0.2% Federal Unemployment Tax Act (FUTA) surtax expired on June 30, 2011. The permanent gross FUTA tax rate is 6.0%. The 0.2% surtax was added in 1976 and had been in effect since then. The last time it was extended was from January 1, 2010 to June 30, 2011, under the Worker, Homeownership, and Business Assistance Act of 2009. Before expiration of the 0.2% surtax, the net FUTA tax employers paid after taking credit for up to 5.4% of state unemployment taxes paid was 0.8%. With the expiration of the surtax, the net FUTA rate is reduced to 0.6% on FUTA taxable wages paid beginning July 1, 2011 (0.8% - 0.2% = 0.6%).

The U.S. Congress did not pass legislation to extend the surtax before it expired. However, it is possible the surtax will be extended retroactively later this year or even in 2012. With the expiration of the surtax, employers need to separately track FUTA taxable wages paid before July 1, and FUTA taxable wages paid after June 30. It is expected that Form 940 for 2011 will be revised to require separate reporting of wages subject to the surtax and those not subject to the surtax.

With no surtax in effect for the third quarter of 2011, employers may determine their FUTA tax liability and deposit requirement for the quarter based on a net FUTA rate of 0.6%. Because of the possibility of a retroactive extension, however, employers may consider it prudent to continue to accrue FUTA tax at a rate of 0.8% until the third quarter FUTA deposit is due on October 31.

In conference calls involving the payroll industry, the Internal Revenue Service has indicated that employers using the 0.6% net FUTA rate to determine their FUTA tax liability after June 30, 2011 will not face penalties if the 0.2% surtax is later reinstated retroactively, although they would have to pay the taxes due because of the retroactive increase.

No Effect On FUTA Credit Reduction — *The expiration of the FUTA surtax will have no impact on how much employers will have to pay in FUTA tax because of the reduced credit they get for state taxes paid in states that have outstanding loans from the Federal Unemployment Account. More than 20 states may have outstanding loans when the credit reduction determination is made in November.*

APA

APA Seminar/Webinar: Year-End Compliance and New Rules for 2012

The American Payroll Association's *Preparing for Year-End and 2012* provides updates on the latest changes in legislation and regulations that affect the close of 2011 and the first payroll of 2012, including:

- Reporting the cost of employer-sponsored health insurance on Form W-2 for 2012
- Year-end preparation checklist and dates for completion
- Implementing disaster recovery plans as part of your year-end preparation
- Expansion of state requirements to use E-Verify to determine employment eligibility
- Fringe benefit taxation and reporting
- Annually announced values (pension plan and other benefit limits, mileage rates, etc.)

Any of the one-day seminars can be attended at locations around the country, and any or all of four segments of the class are offered as webinars online, both live and on demand. Some seminars/webinars are customized for public sector payrolls, Canadian payrolls, and accounts payable professionals. There's also a four-segment webinar covering advanced year-end issues, including complex fringe benefit taxation and reporting requirements.

For more information, visit www.americanpayroll.org/course-conf and look under the Specialty Seminars or Webinar headings for the version of *Preparing for Year-End and 2012* that suits your needs. APA

Is it too late for my company to start a retirement plan for 2010?

No! If you own a business or are self-employed, you may still have time to set up a retirement plan for 2010 for yourself and your employees. Although most retirement plans must be established by December 31, 2010, to get a deduction on the 2010 income tax return, you may establish a [Simplified Employee Pension \(SEP\)](#) plan by the extended due date of the 2010 income tax return. You have until the extended due date to both set up and fund the SEP plan for 2010. For example, if your business's tax return was due March 15, 2010, and you received an extension for your return until September 15, 2011, you have until this extended date to set up and contribute to a SEP plan. If you are self-employed and file a Schedule C with your Form 1040 tax return, and you obtained an extension of your April 18, 2011 filing deadline for your 2010 tax return, you would have until October 15, 2011.

You can [establish a SEP plan](#) for little or no cost at a bank, an investment firm or an insurance company. SEP plans offer a high contribution and deduction limit and minimal paperwork. Self-employed people can contribute to a SEP plan even if they participate in an unrelated employer's plan (e.g., a 401(k) plan).

Additional Resources

- [SEP Plan](#) Web pages
- [Small Business Retirement Plan Resources](#) Web page
- [Publication 560](#), Retirement Plans for Small Businesses
- [Publication 4333](#), SEP Retirement Plans for Small Businesses
- [IRS Retirement Plans Navigator Web site](#)
- SEP Plan Pitfalls — Phone Forum (February 26, 2010) ([Handout](#)) 

Business Services Online is Expanding

The Business Services Online (BSO) W-2 Online application is adding a new feature for its Tax Year 2011 release in December. Starting in December 2011, employers and third-party filers can file prior year W-2 and W-3 reports through W-2 Online. In December, W-2 Online will support your 2011 and 2010 tax year W-2 and W-3 reports. Additionally, W-2 Online is expanding the number of W-2s you can file from 20 to 50.

For more information on Business Services Online, visit www.socialsecurity.gov/bsowelcome.html. 

IRS Revokes 275,000 Non-Profit Organizations: Issues Guidance to Help Them Regain Tax-Exempt Status

When Is the List Coming Out?

That was one of the most frequently asked questions the IRS answered over the first half of 2011 — aside from *Where's My Tax Return?*

The wait ended on June 8, 2011. That's when the IRS released the much-anticipated, initial auto-revocation [list](#) of approximately 275,000 non-profit organizations that lost their tax-exempt status because they did not file the legally required annual reports for three consecutive years.

An automatically revoked organization is not eligible to receive tax-deductible contributions and will be removed from the cumulative list of tax-exempt organizations, [Publication 78](#). The IRS also will send the organizations letters informing them of their revocation. Donors can deduct contributions made before an organization's name appears on the Automatic Revocation List. State and local laws may affect an organization that loses its tax-exempt status as well.

The [Pension Protection Act in 2006](#) requires most tax-exempt organizations to file an annual

information return or notice with the IRS. While this first list of auto-revoked organizations was very large, the IRS expects future tabulations to be much smaller as non-profit organizations get used to filing prompt reports. The IRS will continue to post monthly updates with additional organizations whose filing dates have come due.

"During the past several years, the IRS has gone the extra mile to help make tax-exempt groups aware of their legal filing requirement and allow them additional time to file," IRS Commissioner Doug Shulman said in a news release on June 8. "We realize there may be some legitimate organizations — especially very small ones — that were unaware of their new filing requirement. We are taking additional steps for these groups to maintain their tax-exempt status without jeopardizing their operations or harming their donors."

The revoked organizations — the majority of which are probably defunct, according to the IRS — must apply to have their status reinstated, even if the organization was not originally required to file an application for exemption.

They must:

- File Form 1023 if applying under section 501(c)(3) or Form 1024 if applying under a different Code section.
- Pay the appropriate user fee. The organization's annual gross receipts generally determine the amount of the fee.
- Write "Automatically Revoked" on top of the application and the envelope so the application goes to the proper personnel.
- Smaller organizations eligible for transition relief will instead write "Notice 2011-43" on the application and letter.

Send the application and letter to:

Internal Revenue Service
P.O. Box 12192
Covington, KY 41012-0192

For more information, visit www.irs.gov/eo. 

IRS e-file is Available for Employment Taxes

The IRS is making it easier for you to conduct business electronically. Whether you're a business, big or small, or are self-employed, you'll find an e-file for business filing option that meets your needs, including a program for [employment taxes](#) (Forms 940, 941 and 944) to use.

Why? Because it's

Quick – Just hit Send! Or tell your preparer

"I want the safety and speed of IRS e-file."

Easy – There is a 99 percent accuracy rate.

Smart – Within 48 hours, the IRS sends an official acknowledgement that your return was received.

Remember... there's more to IRS e-file than your Form 1040! 

Treasury Inspector General for Tax Administration

The Treasury Inspector General for Tax Administration (TIGTA) provides oversight of the Internal Revenue Service (IRS) and protects the integrity of the Federal system of tax administration. While it is organizationally placed within the Department of the Treasury, TIGTA is independent of the Department and all other Treasury offices.

TIGTA promotes economy, efficiency, and effectiveness in the administration of the internal revenue laws. It is also committed to the prevention and detection of fraud, waste, and abuse within the IRS and related entities.

TIGTA's audit and investigative activities are designed to:

- Promote economy, efficiency, and effectiveness in administering the Nation's tax system.
- Detect and deter fraud and abuse in IRS programs and operations.

- Protect IRS against external attempts to corrupt tax administration. This primarily involves instances of bribery and impersonation (including phishing).
- Investigate all threats of physical violence against IRS employees, facilities, or infrastructure.
- Investigate allegations of misconduct by IRS employees.
- Review and make recommendations about existing and proposed legislation and regulations related to IRS and TIGTA programs and operations.
- Prevent fraud, abuse, and deficiencies in IRS programs and operations.

If you have information or witness what you believe to be misconduct or wrongdoing, please contact one of TIGTA's local offices or the Complaint Hotline at 800-366-4484. 

E-Verify Information for Employers

Now is the ideal time to ensure that employers and employees understand the E-Verify and the federal employment eligibility verification processes. E-Verify is a fast, free, and easy to use internet-based service run by the Department of Homeland Security (DHS) and the Social Security Administration that allows employers to verify the eligibility of their newly hired employees to legally work in the United States.

All US employers are already required to complete and retain a Form I-9 — the "Employment Eligibility Verification" form — for each person they hire in the United States. That includes citizens and non-citizens.

E-Verify takes the Form I-9 process one step further. It compares information provided on a Form I-9 against information in government records. In most cases, in just seconds, E-Verify tells the employer if an employee is eligible to work in the US. E-Verify isn't a database, but simply a secure way for employers to check new employee's employment eligibility information against existing records in the Social Security Administration, DHS and the State Department — depending upon which form of identification the employee presents, and the employee's citizenship or immigration status.

To use E-Verify, an employer must first enroll online at www.dhs.gov/E-Verify. Employers complete a basic registration application, then must take a tutorial, and pass a test before being granted access to use the system. Once enrolled, there are also rules that must be followed. For example, E-Verify cannot be used by employers in a discriminatory way, such as only checking some employees but not others. Employers may not use E-Verify to prescreen job applicants. Also, employers may not take any adverse action against an employee, including firing or delaying the employee's start date, who is in the process of resolving an initial mismatch of information.

DHS conducts free, live webinars about E-Verify that you can attend without ever leaving the office. The 90-minute webinars include a demonstration of E-Verify and an opportunity to ask questions. By the end of the webinar, employers have a good understanding of E-Verify. DHS also offers Form I-9 webinars, and webinars for E-Verify existing users. To register, go to www.dhs.gov/E-Verify.

E-Verify is currently used by more than 230,000 employers at more than 790,000 worksites. E-Verify is growing rapidly, with more than 1,000 new businesses enrolling each week. For most employers, using E-Verify is voluntary and limited

to verifying new employees only. Since September 2009, E-Verify is mandatory for many federal contractors.

The E-Verify web interface that employers use recently underwent a major redesign making the system even easier to use. For more information, visit www.dhs.gov/E-Verify. 

IRS YouTube Video about W-2 Health Care Reporting

The IRS talks about how employers will need to report employer-sponsored health insurance coverage on W-2s in a [YouTube video](#). The video:

- Emphasizes that the employer-sponsored health care benefits remain nontaxable to the recipients
 - Explains that the cost of the employer-sponsored health care may appear on 2011 W-2s
 - Explains that the reporting is optional for all employers for 2011 and for small employers in 2012
 - Refers viewers to the [Affordable Care Act pages of IRS.gov](#) for more information
- Watch this and other videos on the IRS's [YouTube Channel](#). 

West Virginia and North Dakota Pass EFT Legislation for Child Support Payments

West Virginia and North Dakota became the 14th and 15th states to require employers to remit their child support payments electronically.

West Virginia

Employers with more than 50 employees are required to remit child support payments electronically. West Virginia offers a web-based payment service:

West Virginia Support Payment Center

Phone: (800) 835-4683 (Employer Relations Unit)

Phone: (800) 446-5382 (Phone payments by noncustodial parents)

Email: DHHRBCSEERU@wv.gov

Website for employers: <https://apps.wv.gov/DHHR/wchildsupportdirect> (\$1 per use fee)

Website for noncustodial parents paying directly: <https://www.wvdhhr.org/bcseapp> (\$3 service fee)

North Dakota

Employers in North Dakota with more than 24 employees and having received more than four income withholding orders (IWOs) must remit child support payments electronically. An employer with more than 24 employees but fewer than five IWOs may opt out of the electronic payment requirement only through a written request. The Child Support Enforcement Division may waive the requirement for employers who can show good cause. Information about electronic payments is available at www.nd.gov/dhs/services/childsupport/empinfo/eft. North Dakota offers a web-based payment service for employers:

Employer EFT (free to employers)

Phone: (800) 251-8685, #2

Phone: (701) 328-7515 (for out-of-state employers)

Email: soeft@nd.gov

Website: www.nd.gov/dhs/services/childsupport/empinfo/eft

Texas Update

Texas has lowered the threshold for the number of employees an employer may have and still be exempt from sending child support payments electronically. Employers in Texas with 50 or more employees must now remit child support payments electronically within two business days after pay date. Texas offers a web-based payment service:

ExpertPay (free to employers)

Phone: (800) 403-0879

Email: customer.service@expertpay.com

Website: www.expertpay.com

Note: Texas offers free ACH software to employers for e-Payments.

Other states that passed legislation mandating EFT for child support payments are California, Florida, Illinois, Indiana, Iowa, Massachusetts, Nebraska, Nevada, Ohio, Oregon, Pennsylvania, and Virginia. For their state-specific requirements, please visit the Office of Child Support Enforcement website at www.acf.hhs.gov/programs/cse/newhire/employer/private/electronic_payments_legislation.htm.

For more information, contact Nancy Benner at nancy.benner@acf.hhs.gov or by phone at (202) 401-5528.

Reporter

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Comments may be sent to Laura Askew, Editor

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Internal Revenue Service

Small Business/Self-Employed Communications

C2-378, New Carrollton Federal Building

5000 Ellin Road

Lanham, MD 20706

e-mail (NOT for change of address):

SSA.IRS.REPORTER@irs.gov

Change of Address? Out of Business?

Notify the IRS. Submit Change of Address

Form 8822 available at www.irs.gov/pub/irs-pdf/f8822.pdf to the IRS center to which you sent your business returns. Please include your Employer Identification Number (EIN).

Cincinnati IRS Center Cincinnati, OH 45999

Ogden IRS Center MS:6273, Ogden, UT 84207

Attn: BMF Entity Control Unit

Outside US:

Philadelphia IRS Center, Philadelphia, PA 19255

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IRS and SSA "Help" Phone Numbers, Web Addresses, and Additional Resources Now on IRS.gov

IRS and SSA "Help" telephone numbers, Web addresses, and additional resources are now posted on IRS.gov at www.irs.gov/businesses/small/article/0%2C%2Cid=109886%2C00.html.

SUBSCRIBE TO *e-News for Small Businesses* AND *e-News for Payroll Providers*

e-News for Small Businesses provides tax information for small business owners and self-employed individuals. It is distributed every other Wednesday.

e-News for Payroll Providers provides tax information specifically geared to the payroll industry and those who prepare federal payroll returns.

For small businesses in general or the payroll industry in particular, the newsletters will provide:

- Important upcoming tax dates for SB/SE customers
- What's new for small businesses on the IRS Web site
- Reminders and tips to assist small businesses/self-employed with tax compliance
- IRS news releases and special IRS announcements that pertain to SB/SE customers
- Tax-related information from other federal agencies

To start your free subscriptions, visit www.irs.gov and type *e-News for Small Businesses* or *e-News for Payroll Providers* in the search area to access the sign-up pages.



Social Security
Administration

Internal
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Reporter

Winter 2011

A Newsletter for Employers

Retirement News for Employers – We’re Glad You Asked!

Should our plan administrator withhold 20% for federal income tax from all retirement plan distributions?

No. The plan administrator should only withhold 20% for federal income tax from [eligible rollover distributions](#). A plan administrator doesn't have to apply withholding if expected distributions to an individual are less than \$200 for the year. The 20% withholding generally only applies to any previously untaxed amount of the eligible rollover distribution (not to any already taxed amount – [cost](#)). However, no withholding is required if the plan directly rolls over (in a trustee-to-trustee transfer) the amount to another qualified retirement plan or IRA.

Distributions that are [not eligible rollover distributions](#) are subject to different withholding rates depending on whether they are **periodic** or **nonperiodic** payments.

■ **Periodic payments** are made at regular intervals for more than 1 year (for example, an annuity).

- Generally, the plan administrator must withhold at the rate for a married individual with 3 withholding exemptions. However, the plan administrator must notify the recipient of his or her right to:
 - elect no withholding or elect to have a different amount withheld, by filing [Form W-4P, Withholding Certificate for Pension or Annuity Payments](#), with the plan administrator; and
 - revoke the election at any time.
- The plan administrator must withhold 10% from any required minimum distributions and 20% from any excess amount distributed that is an eligible rollover distribution.

■ **Nonperiodic payments** are distributions that usually aren't made at regular intervals and are not eligible rollover distributions, for example:

- distributions of excess annual additions;

continued on page 3

SOCIAL SECURITY NEWS

2012 Social Security Wage Base Information

The Social Security wage base for 2012 will be \$110,100. Beginning January 1, 2012, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$110,100 and withhold the Medicare tax (1.45 percent) on all wages.

In 2012, employees will earn one Social Security credit for each \$1,130 in earnings, up to a maximum of four credits for the year.

Get more information from the Social Security press release at www.socialsecurity.gov.

Changes to W-2 Online

On December 5, 2011, Social Security's W-2 Online filing application became available to employers and third-party practitioners who wish to begin filing their tax year 2011 Forms W-2/W-3. This *free* online filing option provides everything you will need to meet your filing requirements with Social Security and your employees. No additional software or forms are required.

For returning users, two *new features* are available on W-2 Online for tax 2011. The number of W-2s you can file per W-3 has increased from 20 to 50. In addition, for the first time, W-2 Online can be used for a delinquent tax year — it can be used for tax years 2011 and 2010.

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SOCIAL SECURITY NEWS

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Use AccuWage to Test Your Wage Reports Before Filing with Social Security

AccuWage is Social Security's *free* software that allows you to test your wage reports before uploading them to Social Security. Using one of two versions, Visual Basic and Java, download and install AccuWage software on your PC and specify the directory where your W2REPORT file is located. AccuWage reads the file and informs you of any errors it detects. Knowing what errors exist and fixing them before submitting your file can save time and eliminate the need for W-2Cs/W-3Cs.

In addition to the AccuWage software, Social Security also offers AccuW2C, which is also free. This software checks W-2C wage reports before uploading them to Social Security. For more information about AccuWage and AccuW2C, visit the [AccuWage Information and Software](#) or our [Troubleshooting](#) webpage for downloading problems. Submit all feedback at accuwage.help@ssa.gov.

Update Your Business Services Online Account Now

Has it been a while since you've used Business Services Online (BSO) or registered to use BSO at any of the IRS Tax Forums? Now is a good time to visit the web site to make sure your password is updated. If you requested access to the Social Security Number Verification Service or receive Social Security Number Error Reports, you must also enter your Activation Code before you can use this service.

Register to use BSO now and avoid the rush during filing season. You can register from the comfort of your home or office to use the free BSO services!

Remember, your personal ID is not a company ID and should not be shared. It is equivalent to your electronic signature. You are responsible for all transactions associated with its use.

Learn More Online:

- [Learn How to E-File Using Business Services Online](#)
- [Business Services Online Users Guide](#)

Business Services Online Videos and Tutorial

Social Security has two new videos on how to register for Business Services Online (BSO) and how to use W-2 Online.

- [How to Register for Business Services Online \(Video\)](#)
- [How to File W-2s Online \(Video\)](#)

We also offer a detailed tutorial that introduces our free BSO services. Go to www.ssa.gov/employer to get more information.

Social Security is on Facebook, Twitter and YouTube

If you use social media, we'd like you to connect with us! Facebook is a great way to stay informed about Social Security and give us your feedback. What better place than Facebook to join Social Security's network and stay in the know. Social Security has started *tweeting*. Our news and information is now in easily digestible, 140-character bits! Whether you are a fan of Facebook or Twitter, these electronic vehicles will help reach more users who can benefit from our online information and services.

- [Follow us on Facebook](#) and select Like.
- [Follow us on Twitter](#) and select Follow Social Security

Visit [Social Security's web site](#) and look for the Facebook and Twitter icons. While you're there, open the link to our YouTube page to watch Social Security videos, including public service announcements featuring rock-n-roll icon Chubby Checker and academy award winning actress Patty Duke.

Answers on the Run

These days, people seem busier than ever. Thanks to smart phones and mobile devices, you can stay in the know even when you're on the run. If you have a question about Social Security, it's easy to get a quick answer using our mobile-friendly Frequently Asked Questions page. Just go to www.socialsecurity.gov/faq from your mobile device. You can now turn that delayed flight or wait in a grocery store line into productive time and get answers to your Social Security and wage reporting questions. SSA

New IRS Voluntary Classification Settlement Program

Allows Tax Relief for Reclassifying Workers as Employees

On September 21, 2011, the IRS announced the new Voluntary Classification Settlement Program (VCSP) in [Announcement 2011-64](#). This program allows eligible taxpayers to voluntarily reclassify workers as employees for future tax periods with partial relief from federal employment taxes for the past nonemployee treatment.

The program applies to taxpayers, including exempt organizations and Government entities, who are currently treating their workers (or a class or group of workers) as independent contractors or other nonemployees and want to prospectively treat the workers as employees.

Taxpayers who have consistently treated the workers as nonemployees, and who have filed all required Forms 1099 for the workers for the previous three years are eligible as long as they are not currently under any audit by the IRS or under audit concerning the classification of workers by the Department of Labor or by a state government agency.

Taxpayers apply using [Form 8952, Application for Voluntary Classification](#)

Settlement Program at least 60 days from the date they want to begin treating their workers as employees. The IRS will review applications and verify eligibility. Eligible taxpayers will be asked to enter into a closing agreement, prepared by the IRS, in which the taxpayer will agree to prospectively treat the class or classes of workers as employees for future tax periods.

With the closing agreement, payment will be due based on 10% of the amount of employment taxes calculated under the reduced rates of section 3509(a) for compensation paid to the workers being reclassified for the most recent tax year, with no penalties or interest. In addition, as a result of entering into this agreement, taxpayers will not be subject to an employment tax audit with respect to the worker classification of the workers being reclassified for prior years.

More information about VCSP is on the [VCSP pages of IRS.gov](#), including [VCSP Frequently Asked Questions](#). IRS

Self Check Expanded — Available in More Areas

U.S. Citizenship and Immigration Services (USCIS) recently expanded the availability of Self Check. This free, online service of E-Verify lets workers check their own employment eligibility status. Self Check is now available in Spanish and to residents of certain U.S. states and the District of Columbia. Self Check, available online at www.USCIS.gov/SelfCheck and www.USCIS.gov/SelfCheck/Español, was initially launched in March 2011 to residents of just five states and D.C. It is gradually expanding across the country. Visit www.USCIS.gov/SelfCheck to find out if Self Check is available in your state.

Self Check Benefits U.S. Citizens and Non-Citizens

Self Check offers citizens and non-citizens of the United States the opportunity to securely check their work eligibility status. Regardless of citizenship or immigration status, this empowers workers by allowing them the opportunity to see what employers would see in E-Verify. This gives workers the opportunity to update information in their SSA and DHS records that may cause mismatches in E-Verify, even before their next employer does.

Mismatches may exist in even U.S. citizens' records, due to name changes, naturalization, etc. If mismatches are found, Self Check offers instructions to help users update their information with the appropriate agency. As such, non-citizens, American born citizens, and naturalized citizens can use

Self Check to save time, by resolving errors before an employer finds them in E-Verify.

First E-Verify Service for Employees

Self Check is the first online service offered directly to U.S. workers by E-Verify. *E-Verify*, a Department of Homeland Security program administered by USCIS in partnership with the Social Security Administration, is used by nearly 300,000 employers at more than 950,000 worksites in the United States. Enrolled employers use the free, internet-based E-Verify service to quickly check new employee's eligibility to work in the United States, using the information reported in their Form I-9 (*Employment Eligibility Verification Form*).

While E-Verify is an employer tool, Self Check is a voluntary service for employees only. As an employer, you must not require your employees or job applicants to use Self Check, or require anyone to present the results of their Self Check. And even if your new hires use Self Check, you still must verify their employment eligibility. In the United States, employers must conduct employment eligibility verification for each new hire, using a Form I-9 (*Employment Eligibility Verification*) and, if enrolled, electronically verify their work eligibility using E-Verify. Now employees — both citizens and non-citizens — can use Self Check even before you use E-Verify.

To learn more about E-Verify, please visit www.dhs.gov/E-Verify. **DHS**

Retirement News for Employers continued from page 1

- distributions of excess contributions and excess aggregate contributions from most plans if made within 2½ months after the end of the plan year;
- hardship distributions; and
- loans treated as distributions.

The plan administrator must withhold 10% from nonperiodic payments. However, the recipient may elect no withholding or have a different amount withheld by filing a Form W-4P with the plan administrator.

Special Situations

- Distributions made because of recognized [disasters](#).
- Special withholding rules apply to certain noncash distributions, including:
 - employer securities; and
 - a participant's accrued benefit offset because of a defaulted loan. (see Treas. Reg. [§31-3405\(c\)-1](#).)
- Distributions delivered outside the U.S. or U.S. possessions.
- Distributions from [designated Roth accounts](#) in 401(k), 403(b) or 457(b) plans:
 - [Qualified distribution](#) — no withholding because the distribution is not taxable.
 - [Nonqualified distribution](#) — withholding required only from any distributed earnings that the recipient must include in gross income.

Penalties

A plan administrator may be subject to penalties for failing to:

- properly withhold, deposit or report taxes; and
- electronically deposit withheld taxes. (see for example, Code §§ [6656](#) and [6672](#), [6721](#), [6722](#) and Treas. Reg. [§31.6302-1\(h\)](#))

Additional Resources

- [Publication 15-A](#), *Employer's Supplemental Tax Guide*
- [Publication 505](#), *Tax Withholding and Estimated Tax*
- [Publication 575](#), *Pension and Annuity Income*

How do you define a partner's "compensation" for retirement plan purposes?

A partnership makes annual contributions to a partner's retirement plan account based on her net earned income.

Net Earned Income

For a partner, this is calculated in the same way as for most other [self-employed plan participants](#) by starting with the partner's earned income and then subtracting:

- plan contributions for the partner, and
- half of her self-employment tax.

Pub. 560 has [tables and worksheets](#) to calculate the deduction for contributions to a qualified plan for a partner.

Partner's Earned Income

A partner's earned income is the income she receives for her services to materially help produce that income (see Code §§ [1402](#) and [401\(c\)\(2\)](#).) A partner must separately calculate her earned income for each trade or business. Not every partner may have earned income (for example, a limited partner who does not provide services to the partnership and is merely an investor). Also, all of a partner's income from the partnership may not be earned income (for example, investment income that is passed through the partnership to the partners).

Reporting a Partner's Earned Income

Each partner's earned income or loss is listed on [Schedule K-1](#) (Form 1065), *Partner's Share of Income, Deductions, Credits, etc.* The partnership must give a Schedule K-1 to each partner by the filing due date (including extensions) of the partnership's [Form 1065](#), *U.S. Return of Partnership Income* ([instructions](#)).

Additional Resources:

- [Publication 541](#), *Partnerships*
- [Publication 560](#), *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)*

Note: Subscribe to the [Retirement News for Employers](#) to see these questions and more. **IRS**

American Payroll Association's Preparing for Year-End and Into 2012



In 2010, the IRS assessed employers \$13 billion in additional tax and penalties for noncompliance with payroll tax and information reporting law requirements. Do not let this happen to you! The American Payroll Association (APA) offers the following proven checklist to help you complete a penalty-free year-end processing. Many of the items contained in this checklist come from our most popular seminar, *Preparing for Year-End and 2012*, which also can be viewed as a webinar. To view this time saving and educational information, visit www.americanpayroll.org/product/7/60 and enroll today. If you are involved in payroll processing for the government, public sector, or Canadian payroll, the APA also has you covered by offering year-end courses for these topics. Visit www.americanpayroll.org/product/7/40 and www.americanpayroll.org/product/7/15 to learn more. The following checklist provides a broad overview of common year-end topics for payroll administrators. In addition to this checklist, each state has separate regulations affecting payroll and also should be consulted.

In December

- Remind employees to review all information (i.e., name, address) on their pay stub to verify that it is correct. This will help reduce returned Forms W-2.
- Before issuing an employee's original Form W-2, inform employees if you intend to charge a fee for a replacement Form W-2.
- Remind employees to review the marital status and number of withholding allowances claimed on Form W-4 and to make changes if needed, (i.e., employee gets married, employee gets divorced, or employee needs to change number of dependents).
- Remind employees claiming "exempt" from withholding to submit a new Form W-4 in time for the processing of paychecks dated after February 15, 2012, 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 an income tax refund because of the Earned Income Credit (EIC).
- Collect benefit and payroll adjustment information and post to employees' payroll, including relocation assistance, educational assistance, group-term life insurance, third-party sick pay, company cars, manual checks, and void checks.

- Schedule any special bonus payrolls for the current year.
- Order Forms W-2 and Forms 1099-MISC from the IRS (<http://www.irs.gov/businesses/page/0,,id=23108,00.html>) for all employees and independent contractors who have worked for your company this year, as well as some extra to allow for any mistakes. Also consider preparing, printing, and filing your Forms W-2 online at www.ssa.gov/bsa. Remember that electronic filing is required if you have 250 or more Forms W-2 to file.
- Verify your employees' names and Social Security Numbers (SSNs) at www.ssa.gov/employer/ssnv.htm.

In December and January

- Obtain new forms, withholding tables, and publications from the IRS.
- Review the new Social Security Wage base (current – \$106,800 for 2011), deferred compensation limits, mileage rates (as of July 1, 55.5 cents per mile), and state unemployment wage bases (<http://www.americanpayroll.org/members/stateui/state-ui-2>).
- 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.
- Check to see if the Social Security withholding tax rate has been adjusted. The tax is currently 4.2% but is scheduled to return to 6.2% for both employee and employer in 2012. This may change if new legislation is enacted.

In January

- Reconcile W-2 and W-3 totals against Form 941 totals for 2011.
- Run a report to verify W-2 information before printing the forms for each employee.
- Verify that you have a SSN for each employee.
- Review employees' Forms W-2 who have wages higher than the Social Security wage base (\$106,800 for 2011), 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 and 1099-MISC.
- 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

- Deliver or mail Forms W-2, *Wage and Tax Statement*, to all 2011 employees and Forms 1099-MISC to all 2011 independent contractors.
- File Form 941, *Employer's Quarterly Federal Tax Return*, Form 943, *Employer's Annual Federal Tax Return for Agricultural Employees*, or Form 944, *Employer's Annual Federal Tax Return*.
- File Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*.
- The normal deadline for filing Forms 940, 941, 943, and 944 is January 31. If all taxes have been deposited when due, the deadline for filing is extended to February 10.

February 16

- For any employee who claimed "exempt" from withholding in 2011, but has not submitted an exempt 2012 W-4, begin withholding based on the most recent, valid, non-exempt W-4 from that employee. If you do not have one, withhold based on marital status of "single" and zero withholding allowances.

By February 29

- File Forms W-2 (Copy A) and Forms W-3 with the Social Security Administration by February 29, 2012. If you file electronically, the deadline for submitting these forms is extended to April 2, 2012.

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. APA

IRS and HHS Announce New Round of Outreach to Small Businesses and Practitioners

As the upcoming filing extension tax deadlines approach, the Internal Revenue Service, in partnership with the Department of Health and Human Services, is announcing a new round of outreach to small employers and the professional service providers they rely on to encourage them to review the new Small Business Health Care Tax Credit to see if they are eligible.

The small business health care tax credit was included in the Affordable Care Act enacted last year. Small employers that pay at least half of the premiums for employee health insurance coverage under a qualifying arrangement may be eligible for the small business health care tax credit. The credit is specifically targeted to help small businesses and tax-exempt organizations that primarily employ 25 or fewer workers with average income of \$50,000 or less.

Small employers faced two important tax filing deadlines:

- September 15 – Corporations that file on a calendar year basis and requested an extension to file to September 15 can calculate the small employer health care credit on Form 8941 and claim it as part of the general business credit on Form 3800, which they would include with their corporate income tax return.
- October 17 – Sole proprietors who file Form 1040 and partners and S-corporation shareholders who report their income on Form 1040 and request an extension have until October 17 to complete their returns. They would also use Form 8941 to calculate the small employer health care credit and claim it as a general business credit on Form 3800, reflected on line 53 of Form 1040.

In addition, tax-exempt organizations that file on a calendar year basis and requested an extension to file to November 15 can use [Form 8941](#) and then claim the credit on Form 990-T, Line 44f.

As these 2010 tax return deadlines approach and businesses begin planning for the end of 2011 and 2012, the IRS's new outreach campaign will focus on working with our partners:

- The tax software industry to improve access to educational information and to help alert small employers and practitioners when taxpayers may be eligible for the credit.
- Insurance agents, brokers and carriers who work with small businesses to help ensure

that participants in the health insurance marketplace understand the features and benefits of the credit. The Department of Health and Human Services today sent an email to 2,000 agents and brokers alerting them to the credit for their small business clients.

- The small business and tax practitioner community to provide additional webinars and educational opportunities about the credit.

Information will also be available through social media and other venues, including IRS YouTube videos in English, Spanish and American Sign Language. Targeted e-mails and tweets will be sent to the small business community and tax preparers. The IRS's new outreach effort will remind employers about the upcoming extension deadlines and will also provide details on other important information about the credit, including:

- Businesses who have already filed can still claim the credit: For small businesses that have already filed and later determine they are eligible for the credit, they can always file an amended 2010 tax return. Corporations use Form 1120X and individual sole proprietors use Form 1040X.
- Businesses without tax liability this year can still benefit: The Small Business Jobs Act of 2010 provided that for Tax Year 2010, eligible small businesses may carry back unused general business credits (including the small employer health care tax credit) five years. Previously these credits could only be carried back one year. Small businesses that did not have tax liability to offset in 2010 should still evaluate eligibility for the small business health care tax credit in light of this expanded carry back opportunity.
- Businesses that couldn't use the credit in 2010 can claim it in future years: Some businesses that already locked into health insurance plan structures and contributions for 2010 may not have had the opportunity to make any needed adjustments to qualify for the credit for 2010. So these businesses may be eligible to claim the credit on 2011 returns or in years beyond. Small employers can claim the credit for 2010 through 2013 and for two additional years beginning in 2014.

In addition the IRS announcement, HHS posted additional information on this credit to HealthCare.gov at www.healthcare.gov/news/blog/smallbusiness09072011.html. Additional information about eligibility requirements and calculating the credit can be found on the Small Business Health Care Tax Credit for Small Employers page of IRS.gov. 

Employers Saving with e-IWO!

Employers that have implemented the Federal Office of Child Support's electronic Income Withholding Order (e-IWO) project are not only getting the child support Income Withholding Orders electronically (i.e. no paper) but they are also saving time, money and resources. In fact one employer saved over \$8,000.00 in postage and processing costs in just the first few weeks they were on e-IWO!

The e-IWO project enables:

- States to transmit income withholding orders electronically to employers
- Employers to electronically notify states regarding the status of IWOs, including terminations and lump sum payments.

There is NO cost to employers for participating in the e-IWO project! Employers can choose to implement e-IWO using a "No Programming Option" (NPO) or a "System to System" (SYS) implementation. The NPO requires minimal IT resources and the employers can be receiving e-IWOs in 2-4 weeks. Once on e-IWO, employers receive an image ready PDF of every order along with a prefilled acknowledgement. The SYS requires employers to receive and process the e-IWO documents electronically and generate acknowledgements using a flat file or XML schema. Because the e-IWO documents arrive in a flat file or XML schema employers can

automatically upload the withholding order information to their payroll system. This option, because of the programming involved, usually requires 3-5 months to complete.

Employers choosing the NPO will receive the incoming IWOs as image ready PDFs. Employers implementing the SYS also have the option to receive the incoming orders as image ready PDFs.

As of October 31, 2011, 23 states and 1910 FEINs are using the e-IWO system.

For more information about e-IWO please contact William Stuart at William.stuart@acf.hhs.gov or Sherri Grigsby at SGrigsby@acf.hhs.gov. 

Federal Office of Child Support Enforcement Revises Income Withholding for Support Form

The Federal Office of Child Support Enforcement (OCSE) released the revised Income Withholding for Support (IWO) form and instructions for use by state and tribal child support agencies, the courts, private attorneys, and private individuals. This standard federal form must be used by anyone sending an IWO to an employer or income withholder.

As a result of the input from stakeholders, the following changes have been made to the form and to the withholding process:

- Elimination of shading – Shading made faxed copies of the IWO difficult to read.
- Requirement for the underlying child support order – The child support order that is the basis for income withholding must be attached to the IWO unless it is sent by a state or tribal child support agency or a court.
- Remittance identifier – The remittance or payment identifier has been moved to page one for greater visibility.
- Check box for employer returns – Employers or income withholders must return the IWO if payments are not directed to the SDU or if the IWO is not “regular on its face.” Instructions on page two of the form clarify instances in which an IWO is not “regular on its face.”
- Employment termination section – This section is expanded to allow income withholders to report changes in income status of the obligor.
- Instructions to reject and return invalid IWOs – Instructions are given to indicate circumstances under which an IWO must be returned to the sender.

Approach for Improving the Income Withholding Process

After discussions with stakeholders including employers, members of the judiciary, and state and federal child support representatives, the Federal Office of Child Support Enforcement

developed the following approach to improve the income withholding process:

For IWOs issued on or after 05/31/11 (i.e., new IWOs):

1. If the IWO does not direct payment to the SDU, the employer or income withholder should reject it and return it to the sender.
2. Effective 5/31/2012, employers or income withholders should reject an IWO that is not on the standard federal form and return it to the sender.

For IWOs issued before 05/31/11 (i.e., IWOs already processed):*

1. If the IWO does not direct payment to the SDU, the employer or income withholder should contact the state child support enforcement (CSE) agency that issued the underlying child support order on a case-by-case basis to request a revised IWO directing payment to the SDU. The state may redirect the payment to the SDU. Meanwhile, the employer or income withholder should continue sending payments to the non-SDU address until a new IWO is received.
2. If the IWO is not on the standard form and if it presents problems to the employer or income withholder, contact the sender to request the correct IWO form. The employer or income withholder should continue withholding payments until a new IWO form has been received.

***Note:** If the underlying support order meets any of the following criteria, there is no requirement for states to process payments through the SDU:

1. Support order initially issued before January 1, 1994 and has never been modified.
2. Support order initially issued before January 1, 1994 and has no arrearages.
3. Support order initially issued before January 1, 1994 and is not associated with a case enforced by the state CSE agency.

Reporter

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Change of Address? Out of Business?

Notify the IRS. Submit Change of Address Form 8822 available at www.irs.gov/pub/irs-pdf/f8822.pdf to the IRS center to which you sent your business returns. Please include your Employer Identification Number (EIN).

Cincinnati IRS Center Cincinnati, OH 45999

Ogden IRS Center MS:6273, Ogden, UT 84207
Attn: BMF Entity Control Unit

Outside US:

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IRS and SSA “Help” Phone Numbers, Web Addresses, and Additional Resources Now on IRS.gov

IRS and SSA “Help” telephone numbers, Web addresses, and additional resources are now posted on IRS.gov at www.irs.gov/businesses/small/article/0%2C%2Cid=109886%2C00.html.

For more on changes to the withholding process and copies of the form with instructions, visit www.acf.hhs.gov/programs/cse/pol/AT/2011/at-11-05.htm.

For a training presentation on the changes to the IWO form, visit www.acf.hhs.gov/programs/cse/newhire/employer/publication/training/iwo_training.pdf.

For detailed information, email Cindy Holdren at cynthia.holdren@acf.hhs.gov or call on (240) 676-2808. **HHS**

