

Reporter

**Social Security
Administration**

**Internal
Revenue Service**

**Inside
this Issue...**

**IRA End of Year Reminder:
Deadline for Required
Minimum Distributions**
Page 2

**How Can You Give Your
Employees an Extra
Benefit at No Cost to
You?**
Page 2

**Plan Distributions to
Different Places Treated
as One Distribution for
Tax Purposes**
Page 2

**APA Outlines Steps to
Facilitate a Smooth Year-
End Process**
Page 3

**Follow step-by-step
instructions for a tailored
2015 tax calendar**
Page 3

**Review the Rules for
Holiday Gift Giving**
Page 4

**American Payroll
Association's Tips for Year-
End and 2015**
Page 5

**Protective Claims
Preserve Time Period for
Filing for a Refund**
Page 5

**Establish a 401(k) plan By
Dec. 31 Require Minimal
Actions**
Page 6

**Update on the Migration
of Employment Tax (94x
Form Family) to the
Modernized e-File (MeF)
Platform**
Page 6

**IRS News is Just a Click
Away**
Page 6

Winter 2014

A Newsletter for Employers

Learn More About Opportunities to Give and Receive Free Tax Help

If you are a small business or tax exempt organization, you may be eligible for a Small Business Health Care Tax Credit. The Taxpayer Advocate Service developed an Estimator to help you find out whether you're eligible and estimate how much you might receive.

As the IRS prepares for the 2015 filing season, there is an opportunity to give back to your community by volunteering to provide free tax return preparation service for taxpayers who qualify at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites.

Volunteering with VITA and TCE programs is a rewarding way to make a difference. Last year, more than 93,000 volunteers helped more than 3.6 million taxpayers. These programs help seniors, persons with disabilities, low to moderate income earners and those for whom English isn't a primary language prepare and file their tax returns for free.

With so many sites conveniently located in churches, community centers, libraries and senior citizens centers across the country there's sure to be one near you. If you want to become a volunteer, or simply take advantage of the free services offered, this is ideal.

As a volunteer, you will receive free IRS training and can choose to be a greeter, a reviewer, a tax preparer and more. The hours are flexible, and the time commitment is minimal. Anyone interested in this opportunity can [read more](#) about the programs or complete and email [Form 14310 VITA/TCE Volunteer Sign Up](mailto:Form14310VITA/TCEVolunteerSignUp@irs.gov) to TaxVolunteer@irs.gov.

To take advantage of the free tax help, you generally must make \$53,000 or less. The program provides free basic income tax return preparation and electronic filing to anyone who qualifies. At select tax sites, taxpayers can choose to prepare their own basic federal tax return for free using Web-based tax preparation software with an IRS-certified volunteer available to help guide them through the process.

If you or someone you know can benefit from this free tax prep service, please share the details with them. To learn more, visit the [VITA/TCE page](#) on IRS.gov. To locate the closest VITA or TCE site near you between January and April, you can use the [VITA Locator Tool](#) or call 800-906-9887.

IRS

IRA End of Year Reminder: Deadline for Required Minimum Distributions

The Internal Revenue Service would like to remind taxpayers born before July 1, 1944, about the deadlines for [IRA](#) required minimum distributions. Taxpayers, who are 70½ or older, must take a [required minimum distribution \(RMD\)](#) from their IRAs by December 31, 2014 (April 1, 2015, if they turned 70½ in 2014).

There is no RMD requirement for taxpayers that own only Roth IRAs in their own names because no RMDs are required from Roth IRAs until after the death of the owner.

Taxpayers must calculate the [RMD](#) separately for each IRA, but can withdraw the total amount from any one or

more of them. Taxpayers will face a 50% excise tax on any amount of the RMD they don't take on time.

An RMD is the minimum amount that taxpayers must withdraw from their IRA accounts each year after they are 70½ or older. Taxpayers may withdraw more than the RMD from their IRAs. They must include IRA withdrawals in their taxable income except for any part that was taxed before (the basis) or that can be received tax-free (such as qualified distributions from designated Roth accounts).

The RMD amount for a year from an IRA is calculated by taking that IRA's account balance as of the end of the

immediately preceding calendar year and dividing it by a distribution period from the IRS's "Uniform Lifetime Table" or the "Joint Life and Last Survivor Expectancy Table." The amount of the RMD can be calculated using the [RMD worksheets](#). For more information go to IRS.gov [Individual Retirement Arrangements](#).

Additional resources:

- [You Tube Video: Required Withdrawals From Your IRA](#) (1.31 min) 

How Can You Give Your Employees an Extra Benefit at No Cost to You?

Do you have workers who earn less than \$52,427 from wages, self-employment or farming in 2014? They may be eligible for the Earned Income Tax Credit. These employees could be eligible to get more money back from the IRS this year—as much as \$6,143.

This year, millions of workers will qualify for the first time because of a change in financial, marital or parental status. Several workers may get back even more if their [state](#) also has an EITC. To receive EITC, employees must file a tax return and claim the credit. The IRS offers a free online tool, the [EITC Assistant](#), to help individuals calculate an estimate of the amount of the Earned Income Tax Credit they may be entitled to claim. This tool is available in [English](#) and Spanish and for 2014 tax returns, will be available late January 2015.

EITC eligibility depends on several factors, including income and family size. Your employees don't need a qualifying child if they earned under \$20,000.

The IRS offers several free options for employees to claim EITC. Free File allows workers to prepare and electronically file their own tax return using name brand software. Free help preparing EITC tax returns is also available at many volunteer tax preparation volunteer sites across the country. Employees can locate a volunteer site near them on IRS.GOV by selecting the [VITA Locator tool](#).

Make certain your employees take the credit they're due. It's easy. Use the tools and resources found on our [EITC Information for Employers](#) pages to get the word out. Also, there are some employers required to notify their employees about EITC. Know

your responsibility. Visit the [EITC Info Center for Employers](#) to learn more about employer requirements and to ensure your employees are getting all the credit they earned.

Link Information:

- Earned Income Tax Credit -- www.irs.gov/eitc
- [EITC Information for Employers](#)
- The online [EITC Assistant](#) calculator
- States and Local Governments with Earned Income Tax Credit 

Plan Distributions to Different Places Treated as One Distribution for Tax Purposes

Beginning January 1, 2015, when participants choose to direct their retirement plan distribution to go to multiple destinations, the amounts will be treated as a single distribution for allocating pre-tax and after-tax basis ([Notice 2014-54](#) and [REG-105739-11](#)). This will allow 401(a) qualified, 403(b) and 457(b) governmental retirement plan participants to:

- roll over amounts to both a Roth IRA and a non-Roth IRA,
- allocate the pre-tax amount of the distribution to the non-Roth IRA and the after-tax amount to the Roth IRA, and
- avoid having to pay income tax on pre-tax amounts rolled over to the non-Roth IRA.

Current separate distributions rule

Under current rules, each destination of a retirement plan distribution (for example, a distribution split between a direct rollover to an IRA and an actual distribution of funds) is considered a separate distribution. If a participant's account balance contains both pre-tax and after-tax amounts, each distribution includes a pro rata share of both. A participant can't choose to transfer the pre-tax amount to a traditional IRA and the after-tax amount to a Roth IRA.

Transition rules

The new single distribution allocation rules aren't mandatory for plan distributions prior to January 2015. However, plan sponsors may apply this allo-

cation rule to distributions made on or after September 18, 2014. Plans may apply a reasonable interpretation of the allocation rules for distributions made prior to September 18, but may not apply the single distribution rule to distributions from a plan's Roth account made before September 18, 2014.

Additional resources

- [Rollovers of retirement plan and IRA distributions](#)
- [Rollover chart](#)
- [Individual Retirement Arrangements \(IRAs\)](#)
- [Types of retirement plans](#)

APA Outlines Steps to Facilitate a Smooth Year-End Process

As you plan your year-end process, there are numerous tasks and deadlines that you can build into your schedule that will help you complete the process in a timely manner. Some of these tasks include:

In December

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, off-cycle checks, and void checks.

Schedule any special bonus payrolls for the current year.

Verify that all stop payments, voids, and manual checks have been processed.

Order Forms W-2 and Forms 1099-MISC [here](#) from the IRS for all employees and independent contractors who worked for your company this year. Be sure to order an extra supply of forms to allow for any mistakes. Also, consider preparing, printing, and filing your Forms W-2 online at SSA's [Business Services Online](#). 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 SSA's [Social Security Number Verification Service](#).

In December and January

Check to see if Congress has renewed any tax provisions. As of November 20, 2014, Congress has not passed the traditional tax extender legislation and it is unclear which provisions may be renewed. It is possible that some provisions, including parity in the qualified transportation fringe benefits, and the Work Opportunity Tax Credit for hiring certain employees, such as qualified veterans, will be renewed retroactively to the beginning of 2014. Without additional congressional action, the excludable amount for qualified transportation fringe benefits will remain the same at \$250 per month for parking benefits and \$130 per month for mass transit benefits (i.e., transit passes and vanpools).

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

Review the Social Security wage base (\$118,500 for 2015), deferred compensation limits, mileage rate (56 cents per mile for 2014), and state unemployment wage bases [here](#).

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

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

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

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

If they have not done so already, large employers (at least 50 full-time employees) should establish procedures for collecting health insurance information that must be reported for 2015. The IRS has released draft forms that you may wish to consult to get a better understanding of what information will be required.

In January

Reconcile Forms W-2 and W-3 totals against Forms 941 for 2014.

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

Verify that you have an SSN for each employee.

Review employees' Forms W-2 who have wages higher than the Social Security wage base (\$117,000 for 2014), 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 they are not provided electronically.

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

By February 2 (these deadlines are normally January 31, but will be extended in 2015 because January 31 falls on a Saturday)

Deliver or mail Forms W-2, *Wage and Tax*

Statement, to all 2014 employees and Forms 1099-MISC to all 2014 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*; and Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*.

The normal deadline for filing Forms 940, 941, 943, and 944 is February 2, 2015. If all taxes have been deposited when due, the deadline for filing is extended to February 10.

By February 17

For any employee who claimed "exempt" from withholding in 2014, but has not submitted an exempt 2015 W-4, begin withholding based on the most recent, valid, non-exempt W-4 in the employee's file. If you do not have one, withhold based on a marital status of "single" and zero withholding allowances.

By March 2 (these deadlines are normally February 28, but will be extended in 2015 because February 28 falls on a Saturday)

File paper Forms W-2 (Copy A) and W-3 with the Social Security Administration. If you file electronically, the deadline for submitting these forms is extended to March 31, 2015.

File Form 8922, *Third-Party Sick Pay Recap with the IRS*. New in 2015, third-party sick pay recap reporting shifts from the SSA to the IRS. The employer will file Form 8922 if sick pay is reported on Form W-2 under the agent or insurance company's name and EIN. The agent or insurance company will file Form 8922 if sick pay is reported on Form W-2 under the employer's name and EIN. Form 8922 must be filed on paper for tax years 2014 and 2015.

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

Follow step-by-step instructions for a tailored 2015 tax calendar

Small business taxpayers can remember important due dates with the help of the electronic IRS Tax Calendar for Businesses and Self-Employed.

The tax calendar is accessible from computers, smartphones or tablets.

Customers can search IRS.gov using keywords "business tax calendar" or "tax calendar for small business" to access the online calendar. Available in English and Spanish, customers can customize

their view of monthly due dates including monthly and semiweekly employment and excise tax deposits.

The IRS [CalendarConnector](#) tool gives customers access to tax dates right from their desktop even when offline. New requirements are automatically updated. [IRS CalendarConnector](#) is accessible on the computer screen but consumes screen space only when the user is reading it.

Users can follow step-by-step instructions on YouTube at [English Tax Calendar](#) or [Spanish Tax Calendar](#).

Smartphone users can access the calendar via IRS.gov through their phone browser. Type in "Business Tax Calendar" in the search box (upper right hand corner); tap the "Tax Calendar for Small Business ..." link; and tap the "view online tax calendar" link. [IRS](#)

Review the Rules for Holiday Gift Giving

Employers are reminded to consider the income and employment tax consequences of holiday or year-end gift giving. Because of the employer-employee relationship, property or services provided by employers to employees are generally treated as compensation and cannot be excluded as gifts.

Consequently, the property or services are subject to income and employment taxes. In limited circumstances, however, property or services may qualify as a de minimis fringe benefit or may otherwise be non-taxable.

It is generally understood that the value of a traditional ham, turkey, or other item of nominal value given at Christmas or other holidays is not included in the employees' income or subject to employment taxes. However, it is equally understood that, if the employer gives cash, a gift certificate, or a similar cash equivalent fringe benefit, the value of the benefit is taxed as compensation regardless of the amount involved.

With changing technology and available options, some employers are giving their employees restricted and unrestricted gift certificates, debit cards, and similar cash equivalents instead of traditional holiday gifts.

This has caused some confusion concerning whether these types of benefits are subject to income and employment taxes. In particular, some employers have misunderstood what constitutes a cash equivalent and have incorrectly applied the de minimis fringe benefit rules.

Here are some reminders:

- From a tax perspective, there is a presumption that whenever an employer transfers an item of value to an employee, the value of the item is includible in the employee's income as additional compensation unless otherwise excluded by law (for example, as a de minimis fringe).
- When an employer provides property or services that do not qualify as de minimis, they must be treated as wages subject to income and employment taxes unless the benefit can be excluded on some other basis.
- A de minimis fringe is any property or service that, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable or impractical.
- The statutory requirements regarding value, frequency, and administrative impracticability must be satisfied even with respect to holiday gifts of tangible personal property having a low fair market value (for example, the exclusion is not available if "traditional holiday gifts" are provided to employees each month).
- Cash or cash equivalents are rarely de minimis fringes, regardless of amount; exceptions include certain transit passes and occasional meal money or cab fare.
- Cash equivalents include gift certificates, gift cards, store cards, prepaid cards, debit cards, or any other similar card, code, or other device serving the same purpose (including those provided electronically).

- Not every coupon or certificate is a cash equivalent (for example, a non-transferrable coupon that can be exchanged only for a turkey or ham at a particular establishment is not a cash equivalent).
- There is no requirement that the cash equivalent be "redeemable" or "exchangeable" for cash; it is sufficient that a cash value can be determined and that the cash equivalent can be used to obtain property or services.
- There is no threshold amount under which property or services are always de minimis (for example, it is incorrect to view anything worth \$25 or less as excludable regardless of the frequency with which the benefit is provided or the administrative impracticability of accounting for it.)
- For noncash benefits, the general valuation rule is that the amount of taxable wages is the fair market value of the property or services at the time it is provided. "Fair market value" is the amount an individual would pay an unrelated third party to obtain comparable benefits.
- The same rules apply to any property or services the employer provides to another for the employee's benefit (for example, property provided to an employee's spouse or child).

Finally, if an employer pays for an employee's taxes on the benefit (known as "grossing-up"), the payment of the taxes is additional wages to the employee. See section 7 of Publication 15-A, *Employee's Portion of Taxes Paid by Employer*, for more information. **IRS**

Form 8955-SSA...

Does your retirement plan have participants who have separated from service and have deferred vested benefits? List them on Form 8955-SSA ([Resources](#)).



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

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American Payroll Association's Tips for Year-End and 2015

Every year-end brings new challenges for payroll professionals. This year will be no exception. In fact, this year may be exceptionally challenging because of new procedures and potential late changes in the tax code through the tax extenders being considered by Congress.

Looking forward, employers will need to develop strategies to comply with the new health insurance reporting requirements. To help you prepare for a successful year-end and 2015, the American Payroll Association offers the following tips to help you complete your year-end processing accurately and timely.

Many of these suggestions come from the APA's most popular seminar, [Preparing for Year-End and 2015](#). To view the webinar version of this time saving and educational program, visit [Preparing for Year-End and 2015](#) and register today.

The APA also has specialized webinars for payroll professionals in the government or public sector, and for those who process Canadian payrolls. Visit [Government/Public Sector Year-End and 2015](#) and [Canadian Payrolls Preparing for Year-End and 2015](#) to learn more.

The following tips provide a broad overview of common year-end issues for payroll professionals.

Keep in mind that each state has separate regulations affecting payroll of which you should be aware.

Communication Is Key

Communication with employees is a key element to a successful year-end process. Errors and simple misunderstandings may be avoided through effective communication with your employees. The APA suggests the following reminders:

- Remind employees to review all information (i.e., name and address) on their pay stub to verify that it is correct. This will help reduce returned Forms W-2.
- Encourage employees to review the marital status and number of withholding allowances claimed on Form W-4 and to make changes if needed, (i.e., did the employee get married, including same-sex marriages, get divorced, or need to change the number of dependents).
- Before issuing an employee's original W-2, inform employees if you intend to charge a fee for a replacement Form W-2.
- Tell employees who anticipate liability for the additional Medicare tax that they may ask the employer to withhold an additional amount of

income tax by adjusting their Form W-4.

- Instruct employees claiming "exempt" from withholding to submit a new Form W-4 in time for the processing of paychecks dated after February 17, 2015, if the employee wants to continue to claim "exempt" and is qualified to do so.
- Notify employees who have no income tax withheld that they may be able to claim a refund because of the Earned Income Tax Credit (EITC).
- Remind employees if your health FSA has a grace period for early 2015 claims or a carryover provision for up to \$500 of the contributions made to the FSA in 2014. Also, inform your employees that the salary reduction limit for health FSA contributions for plan years beginning in 2015 will be \$2,550, an increase of \$50 from the 2014 limit.
- Notify employees of SDI and wage base changes.
- Inform employees that the contribution limit for 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plan will increase to \$18,000 in 2015. The catch-up contribution limit for employees who are 50 years or older will increase to \$6,000 in 2015. **APA**

Protective Claims Preserve Time Period for Filing for a Refund

If you believe you have overpaid your employment taxes, you have a limited amount of time in which to file a claim for a credit or refund. You can claim a credit or refund by filing the "X" form that corresponds to the return being corrected.

The "X" forms (e.g., Form 941-X, "Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund" and Form 944-X, Adjusted Employer's ANNUAL Federal Tax Return or Claim for Refund) are used to claim refunds, make adjustments, and request abatements of employment taxes. A separate claim must be made for each return for each tax period in which there was an error. Visit the IRS website at www.irs.gov and enter the keywords "Correcting Employment Taxes" for links to the X forms and to Revenue Ruling 2009-39, which provides examples showing how the claim for refund process operates.

Generally, you must file a claim for a credit or refund within 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later. A special rule applies to returns reporting social security and Medicare taxes or Federal income tax withholding. Returns for a calendar year are considered filed on April 15 of the succeeding year if filed before that date.

For example, if you filed your 2012 fourth quarter Form 941 on January 25, 2013, the IRS treats the return as if it were filed on April 15, 2013. To file a

timely claim, you must file Form 941-X by April 15, 2016. If you do not file a claim within this period, you may no longer be entitled to a credit or a refund. If the due date to file a return or a claim for a credit or refund is a Saturday, Sunday, or legal holiday, it is considered filed on time if it is filed on the next business day.

If your right to a refund is contingent on future events and may not be determinable until after the time period for filing a claim for refund expires, you can file a protective claim for a refund on the appropriate "X" form. Protective claims are often based on current litigation or expected changes in the tax law, other legislation, or regulations. A protective claim preserves your right to claim a refund when the contingency is resolved. A protective claim does not have to state a particular dollar amount. It is suggested that you write \$1 if the exact amounts are not known. If the amounts are known, you can record the known amounts or \$1. To be valid, a protective claim must:

- Be in writing and be signed,
- Include your name, address, taxpayer identification number, and other contact information,
- Identify and describe the contingencies affecting the claim, and
- Identify the specific tax periods for which a refund is sought.

In this situation, you should clearly alert the IRS that you are filing a "Protective Claim" and

describe the contingency or anticipated tax law change that is causing the claim to be made. To do this, it is strongly recommended that you write "Protective Claim" on the top of the first page of the "X" form in addition to including it in the description. If the claim is not clearly marked as "protective" any amounts reflected may be incorrectly processed, causing unnecessary problems with your account.

Generally, the IRS will delay action on the protective claim until the contingency is resolved. Once the contingency is resolved, the IRS will request perfected information (e.g., perfected claim amounts) from you. This perfected information will be used to process the claim as appropriate (i.e., allowed in full, allowed in part or disallowed in full).

An employer has a duty to assure that its employee's rights to recover over-collected social security and Medicare taxes are protected by repaying or reimbursing over-collected amounts. Alternatively, an employer may obtain the employee's consent to the filing of the refund claim. An employer need not repay or reimburse its employees, or obtain the employees' consents for the filing of a refund claim prior to filing the claim, in order for the claim to be valid. However, the employer must repay or reimburse its employees or obtain the employees' consents before the IRS can grant the claim.

File your claim by mailing it to the address shown in the instructions for the "X" form. **IRS**

Establish a 401(k) plan By Dec. 31 Require Minimal Actions

When you establish a [401\(k\) plan](#) you must take certain basic actions. You may set up the plan yourself or consult a professional or financial institution - such as a bank, mutual fund provider, or insurance company - to help you with your plan. If you adopt your plan by Dec. 31, you can deduct contributions to the plan for 2014 as a business expense. [IRS](#)

Update on the Migration of Employment Tax (94x Form Family) to the Modernized e-File (MeF) Platform

Did you know IRS would like your ideas on how to reduce taxpayer burden? Perhaps you have thoughts on how to simplify reporting requirements, streamline IRS procedures or shorten forms – IRS wants to hear them! Use [Form 13285A](#), Reducing Tax Burden on America's Taxpayers for ideas that identify meaningful taxpayer burden reduction opportunities affecting a significant number of taxpayers. More information can be found on the Taxpayer Burden Reduction [website](#). [IRS](#)

IRS News is Just a Click Away

Get IRS news in your inbox by subscribing to free [e-newsletters](#) including:

- [e-News for Payroll Professionals](#) for information about federal payroll reporting such as legislative changes, news releases, special announcements and employment tax procedures.
- [e-News for Small Businesses](#) for information of interest to small business owners and self-employed individuals such as important tax dates, reminders and tips, news releases and special announcements. [IRS](#)

Reporter

**Social Security
Administration**

**Internal
Revenue Service**

**Inside
this Issue...**

**New Consent Guidance
Available; Comments
Requested on Proposed
Revenue Procedure**
Page 2

**Congressional Update:
National Taxpayer
Advocate's Report to
Congress Focuses on
Taxpayer Service and
Taxpayer Rights**
Page 2

**Spring Cleaning of Your
Payroll Records**
Page 3

**The Affordable Care
Act's Employer Shared
Responsibility Provisions**
Page 4

**E-Verify is Committed to
Employer Engagement**
Page 5

**e-IWO Mandatory for
States by October 1, 2015**
Page 5

**IRS.gov Has Resources
for Taxpayers With
Limited English
Proficiency**
Page 6

**IRS News is Just a Click
Away**
Page 6

**Stay in Compliance With
APA's Payroll Tax Forum**
Page 6

Spring 2015

A Newsletter for Employers

Social Security New Online Service to Replace SSA-1099 or SSA-1042S With a my Social Security Account

Just in time for tax season, Social Security recently announced the agency is expanding its online services to enable Social Security beneficiaries to quickly and easily obtain an instant and official replacement SSA-1099 or SSA-1042S for tax purposes by creating from the agency's website a [my Social Security account](#).

Social Security sends SSA-1099 or 1042S each January to everyone who receives Social Security benefits. These forms show the total amount of benefits paid in the previous year. About one-third of people who get Social Security benefits have to pay income tax on their benefits. They can use this statement when they complete their federal income tax return to find out if they have to pay taxes on their benefits.

Previously, people who lost their SSA-1099 or 1042S had to call or visit a Social Security office to get a replacement or request one be mailed to them. With this new online service, people now only need to create a my Social Security account, or log into their existing one. Once there, they can view and print their SSA-1099 or 1042S or request to have a new one mailed to them—all online.

With a my Social Security account, they also can:

- Get a [benefit verification letter](#);
- Check their benefit and payment information and their earnings record;
- [Change their address](#) and phone number;

- [Start or change direct deposit](#) of their benefit payment; and now

[my Social Security](#) is a secure, online account people use beginning in their working years and continuing throughout the time they receive Social Security benefits. Once they create an account, working people can keep track of their earnings and to get estimates of future benefits.

Setting up an account is easy, secure, and convenient. You just need to go to [my Social Security – Sign In Or Create an Account](#).



New Consent Guidance Available; Comments Requested on Proposed Revenue Procedure

The IRS has released [Notice 2015-15](#), 2015-9 I.R.B. 687, available at www.irs.gov/pub/irs-drop/n-15-15.pdf, which provides guidance to employers on the requirements for employee consents used by an employer to support a claim for refund of overcollected social security tax and Medicare tax. The notice and proposed revenue procedure clarifies the basic requirements for a request for a consent and for the employee consent itself, and permits a consent to be requested, furnished, and retained in an electronic format as an alternative to a paper format. The notice also contains guidance concerning what constitutes “reasonable efforts” if a consent is not secured to permit the employer to claim a refund of the employer share of overcollected social security tax and

Medicare tax.

The IRS request comments on the proposed revenue procedure by May 31, 2015. In particular, the IRS requests comments regarding the specific requirements for a request for a consent and for the employee consent itself, the requirements for electronic employee consents, and the steps that will constitute “reasonable efforts” to obtain an employee consent. Comments are also requested on ways to formulate requirements that advance the goal of making the process more efficient while protecting the interests of employees.

Comments may be submitted to: Internal Revenue Service, CC:PA:LPD:PR (Notice 2015-15), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20224. Comments may also be hand-delivered

Monday through Friday between the hours of 8:00 a.m. to 4:00 p.m. to the Courier’s Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC. Attn: CC:PA:LPD:PR (Notice 2015-15). Comments may also be submitted electronically via the following email address: Notice.Comments@irs.counsel.treas.gov. Please include “Notice 2015-15” in the subject line of any electronic submission.

IRS

Congressional Update: National Taxpayer Advocate’s Report to Congress Focuses on Taxpayer Service and Taxpayer Rights

National Taxpayer Advocate Nina E. Olson has released her [2014 annual report to Congress](#), expressing concern that taxpayers this year are likely to receive the worst service since at least 2001 when the IRS implemented its current performance measures. In the preface to the report, Olson emphasizes four points:

- “First, the budget environment of the last five years has brought about a devastating erosion of taxpayer service, harming taxpayers individually and collectively;
- “Second, the lack of effective administrative and congressional oversight, in conjunction with the failure to pass taxpayer rights legislation, has eroded taxpayer protections enacted 16 or more years ago;
- “Third, the combined effect of these trends is reshaping U.S. tax administration in ways that are not positive for future tax compliance or for public trust in the fairness of the tax system; and

- “Fourth, this downward slide can be addressed if Congress makes an investment in the IRS and holds it accountable for how it applies that investment.”

The report recommends that Congress enact a principles-based Taxpayer Bill of Rights, codifying the one the IRS adopted administratively in 2014, to assure taxpayers that the ten fundamental rights will become “a permanent part of our tax system.”

The National Taxpayer Advocate also expresses concern about the IRS’s treatment of victims of fraud by payroll service providers. If a provider mismanages or embezzles funds it should have paid to the IRS (or a state tax agency), the client employer is still responsible for unpaid tax, interest, and penalties, effectively (from the employer’s perspective) paying the tax twice – once to the failed payroll service provider, and again to the IRS. The report says the IRS has consistently failed to use offers in compromise, which allow a taxpayer to settle a debt for less than the full amount owed, to provide relief to employers. It also recommends that Congress give the National Taxpayer Advocate,

rather than the IRS, the authority to determine if an offer from a victim of payroll service provider fraud meets the criteria for being “fair and equitable.”

The National Taxpayer Advocate heads the Taxpayer Advocate Service (TAS), an independent organization within the IRS that helps taxpayers and protects taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or you’ve tried but haven’t been able to resolve your problem with the IRS.

If you qualify for TAS assistance, which is always free, TAS employees will do everything possible to help you. Call 1-877-777-4778 or visit our Tax Toolkit at taxpayeradvocate.irs.gov. The site is newly redesigned to help taxpayers deal with common tax issues and situations and understand their rights under the Taxpayer Bill of Rights. The new Toolkit employs responsive web design to be accessible from a range of devices, from smartphones and tablets to personal computers. IRS

Spring Cleaning of Your Payroll Records

Once you complete your year-end payroll processes, you should consider cleaning up your old files. Because determining which records you can destroy and which records you must retain can be tricky, the APA offers this basic guideline for payroll record retention requirements.

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. Failure to meet these requirements can result in sizable penalties and large settlement awards if you are unable to provide the required information when requested by the IRS or in an employment-related lawsuit.

Income, Social Security, and Medicare Taxes

Employers must keep income, social security, and Medicare tax records 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, including:

- The Employer Identification Number (EIN);
- The employee's name, address, occupation, and social security number;
- The total amount and date of each payment of compensation and any amount withheld for taxes or otherwise, including reported tips and the fair market value of non-cash payments;
- The amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the corresponding amount withheld for each tax (also the date withheld if withholding occurred on a different day than the payment date);
- The pay period covered by each payment of compensation;
- If applicable, the reason(s) why the total compensation and the taxable amount for each tax rate are different;
- The employee's Form W-4, *Employee's Withholding Allowance Certificate*;

- Each employee's beginning and ending dates of employment;
- Any statements provided by the employee reporting tips received;
- Fringe benefits provided to the employee and any required substantiation;
- Adjustments or settlements of taxes; and
- Amounts and dates of tax deposits.

In addition, employers must hold onto information regarding wage continuation payments made to the employee by an employer or third party under an accident or health plan. This should include 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). You also need to keep copies of the employee's Form W-4S, *Request for Federal Income Tax Withholding From Sick Pay*. If applicable, you should also retain copies of Form 8922, *Third-Party Sick Pay Recap*. As with the items listed above, these must be kept for four years after the due date of the employee's personal income tax return for the year in which the payment was made.

Likewise, copies of returns filed (on paper or electronically), including Forms 941 (with Schedule B, D, and/or R, as applicable), 943, 944, 945, 941-X, W-3, Copy D of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable must be retained for at least four years after the due date of the tax (or the date the tax is actually paid, if later) for the return period to which the records relate. If you can electronically reproduce the undeliverable Forms W-2, you may destroy the originals.

If an employer files a claim for refund, credit, or abatement of withheld income and employment taxes, records related to the claim must be retained for at least four years after the filing date of the claim.

Employers with a health insurance, cafeteria, educational assistance, adoption assistance, or

dependent care assistance plan providing benefits that are excluded from income must also keep whatever records are needed to determine whether the plan meets the requirements for excluding the benefit amounts from income.

Employers must also keep records substantiating any information returns and employer statements to employees regarding tip allocations for at least three years after the due date of the return or statement to which they relate.

Unemployment Tax

The Federal Unemployment Tax Act (FUTA) also requires that employers retain records pertaining to compensation earned and unemployment contributions made. Such records must be retained for four years after the due date of the Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, or the date the required FUTA tax was paid, whichever is later. Employers must retain records substantiating:

- 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 (with Schedule A and/or R as applicable); and
- If applicable, the reason why total compensation and the taxable amounts are different.

Department of Labor, State Requirements

Record retention requirements are also set by the federal Department of Labor (DOL) and state wage-hour and unemployment insurance agencies. You can read the DOL's rules by visiting their site [here](#). Links to state agencies can be found by visiting APA's site [here](#). 

The Affordable Care Act's Employer Shared Responsibility Provisions

Employers that are considered "applicable large employers" are subject to the employer shared responsibility provisions of the Affordable Care Act. In general, an applicable large employer is an employer with at least 50 full-time employees or an employer with both full-time and part-time employees whose hours add up to the equivalent of at least 50 full-time employees.

In general, an applicable large employer either must offer affordable health insurance coverage that provides a minimum level of coverage to its full-time employees and their dependents or make a payment to the IRS, if at least one of its full-time employees receives a premium tax credit in connection with purchasing health care coverage through the Health Insurance Marketplace.

The employer shared responsibility provisions apply as of January 1, 2015. Employers should get prepared and make decisions regarding health insurance coverage offered to their employees. No employer shared responsibility payments will be due for 2014.

Full-time employees and full-time-equivalent employees

Under the employer shared responsibility provisions, a full-time employee is an individual employed on average at least 30 hours of service per week, per month, or 130 hours of service per month. The [final regulations under the](#)

[employer shared responsibility provisions](#) include much more information on the determination of full-time employees.

A full-time equivalent employee is two or more employees who are not full-time employees whose hours combined are the equivalent to a full-time employee. An employer's number of full-time equivalent employees is only relevant to whether the employer is an applicable large employer, and an employer need not offer coverage to part-time employees who combine to result in full-time equivalent employees in order not to be subject to an employer shared responsibility payment. For purposes of determining whether an employer is an applicable large employer, two or more part-time employees could equal one full-time equivalent employee. For instance, two part-time employees each with 15 hours of service per week would equal one full-time-equivalent employee.

Employers use information about the number of employees they employ and their hours of service during 2014 to figure if they have enough employees to be considered an applicable large employer for 2015.

Special rules

Because an employer will be calculating its number of full-time employees and full-time equivalent employees for the first time for 2015, there is a transition rule intended to make this first calculation easier.

Rather than being required to use the full twelve months of 2014 to figure out if an employer has at least 50 full-time employees and full-time-equivalent employees, an employer may measure during any consecutive six-month period as chosen by the employer during 2014. This is most helpful to those employers who are near the 50-employee mark.

Additionally, employers with 50 to 99 full-time and full-time-equivalent employees in 2014 will not be subject to an employer shared responsibility payment for 2015, if the employer meets certain conditions described in the preamble to the final regulations under the employer shared responsibility provisions. However, such an employer is still required to complete [information reporting for 2015](#).

There are various other kinds of transition relief available for employers for 2015, described in the preamble to the final regulations under the employer shared responsibility provisions.

More information

[Questions and answers](#) about the employer shared responsibility provisions are available at IRS.gov/ACA.

IRS

Form 8955-SSA...

Does your retirement plan have participants who have separated from service and have deferred vested benefits? List them on Form 8955-SSA ([Resources](#)).



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

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E-Verify is Committed to Employer Engagement

[E-Verify](#), the U.S. Department of Homeland Security's program for web-based verification of employment eligibility, uses a variety of methods to engage employers of all sizes and industries. All U.S. employers are required by law to complete the [Employment Eligibility Verification Form I-9](#) for every worker hired. Nearly 600,000 employers at more than 1.8 million worksites also use E-Verify to quickly confirm the Form I-9 information provided by new hires against records in a variety of government databases.

The E-Verify program is committed to keeping employers informed with updates and tips that help them with these processes. Further, E-Verify actively seeks employer feedback which it uses to improve services. Employers can choose their level of engagement. Below is a list of ways to engage.

Twitter	Follow www.Twitter.com/E-Verify for short updates, alerts and tips. Retweet and reply.
E-Verify Connection	A one page newsletter that summarizes announcements and new resources to help employers with employment eligibility verification. Subscribe .
E-Verify Listens	Crowdsourcing online community E-Verify Listens lets stakeholders share, vote for and comment on ideas related to improving the employment eligibility verification process. Several ideas submitted through this forum have already been implemented. Browse or join to participate.
Websites	I-9 Central and E-Verify , award-winning websites are comprehensive resources for employers. Both are frequently updated and also available in Spanish.
GovDelivery	Emails to distribution lists are brief and notify stakeholders of pertinent updates and enhancements. Subscribe .
Webinars	Free, customized and on-demand webinars on Form I-9 and E-Verify topics; a variety of presentations tailored to different audiences. See webinar choices and schedules .
Foreign Language Materials	A variety of materials and videos have been translated in up to 18 foreign languages to help employers inform Limited-English proficient employees.
Customer Support	Customer support is available for assistance with cases and technical support. Monday through Friday, from 8 a.m. to 5 p.m. EST. 888-464-4218 or 877-875-6028 (TTY)

DHS

e-IWO Mandatory for States by October 1, 2015

[Public Law 113-183](#), Preventing Sex Trafficking and Strengthening Families Act of 2014, amends the Social Security Act and requires, by October 1, 2015, state child support agencies to send income withholding orders to employers electronically using the federal Office of Child Support Enforcement's (OCSE's) e-IWO process. Employers are not required to receive orders electronically.

OCSE's e-IWO enables states and employers or payroll processors to exchange income withholding orders easily and securely. States transmit electronic child support orders, and employers let states know whether they accept or reject e-IWOs. Employers can also use e-IWO to notify states about lump sum payouts and employee terminations.

Since its inception in 2004, states and employers used e-IWO to process over three million orders. Currently, 34 states and 766 employers representing nearly 7,900 FEINs are using e-IWO.

For more information about e-IWO or [states using e-IWO](#), visit the [OCSE website](#). 

IRS.gov Has Resources for Taxpayers With Limited English Proficiency

IRS.gov provides one-stop shopping for taxpayers with limited English proficiency. The IRS.gov site features [Chinese](#), [Russian](#), [Vietnamese](#) and [Korean](#) language pages with links to additional resources.

Those links can help you and your customers find more than 700 forms and publications in these languages. They also provide information to help you or your customers find tax preparation assistance, SB/SE information, and help in understanding tax credits.

[EL IRS en Espanol](#) is an official IRS website especially for Spanish-speaking individuals. It provides access to information, downloads and tools, including the EITC Assistant, online payment agreements, Where's My Refund?, Spanish Free File and the [Spanish Multimedia](#) page, which has links to podcasts, YouTube, the IRS Video Portal and text files. 

IRS News is Just a Click Away

Get IRS news in your inbox by subscribing to free e-newsletters including:

- [e-News for Payroll Professionals](#) for information about federal payroll reporting such as legislative changes, news releases, special announcements and employment tax procedures.
- [e-News for Small Businesses](#) for information of interest to small business owners and self-employed individuals such as important tax dates, reminders and tips, news releases and special announcements. 

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 18 cities nationwide, June 16 - 26, 2015, you can avoid penalties by learning about the latest payroll-related changes from Congress and federal agencies such as the IRS, SSA, DOL, and the Department of Homeland Security.

Topics include: the health insurance data reporting required by the Affordable Care Act, the taxation and reporting of payments made to U.S. expatriate employees, the status of parity for mass transit fringe benefits, and which states are at risk for FUTA credit reduction in 2015.

The class also includes a review of recent legislative and regulatory changes, a review of the annually adjusted wage bases and benefit limits, and a discussion of revisions to IRS forms and publications. Payroll directors and managers, tax and compliance officers, controllers, CFOs, treasurers, and anyone else involved in your organization's payroll should not miss this opportunity. For more information, visit the APA [website](#). 

IRA Deduction Limits Available Online

[IRA Deduction Limits](#) - You may be able to claim a deduction on your individual federal income tax return for the amount you contributed to your IRA. See [IRA Contribution Limits](#). 



Social Security Administration

Internal Revenue Service

Inside this Issue...

Law now requires Dual Notice of Address Changes on open Employment tax accounts
Page 2

Employer Services Web Application on Office of Child Support Enforcement's child support portal
Page 2

Businesses may still have time to set up a SEP Retirement Plan for 2014
Page 2

Accurate Affordable Care Act reporting will require payroll, HR, and benefits to work together
Page 3

Outsourcing payroll duties require an understanding
Page 4

Know the rules for IRA contributions and required minimum distributions
Page 4

Additional Medicare Tax: Rules for married filing separate spouses and registered domestic partners in community property states
Page 5

Excess IRS contributions could create a tax
Page 6

Tax payments made easy
Page 6

Is it time to change your tax withholding?
Page 6

IRS Lead Development Center working to combat abuse
Page 7

New service for employees from E-Verify
Page 7

IRS news just a click away
Page 7

Reporter

Summer 2015

A Newsletter for Employers

See if your business can take advantage of the Small Business Health Care Tax Credit using the Estimator tool

If you're a small employer, for-profit or non-profit, and you provide health insurance to your employees, you should make sure you are taking full advantage of the Small Business Health Care Tax Credit this year and in the future.

The maximum credit for 2015 is 50 percent of premiums paid for small business employers and 35 percent of premiums paid for small tax-exempt employers. So think about this credit for your 2015 return and in your planning for 2016.

As a small employer, you may be eligible if you:

- Employ fewer than 25 full-time equivalent (FTE) employees for the tax year,
- Pay average wages of less than \$50,000 a year per FTE (as adjusted for inflation beginning in 2014) per year, and
- Pay at least half of employee health insurance premiums under a qualified health plan offered through a [Small Business Health Options Program \(SHOP\) Marketplace](#) or
- Qualify for an exception to this requirement. However, the [exceptions](#) are extremely limited.

After 2014, you can only claim the credit for two consecutive years. However, that lets you take it this year if you claimed it in 2014, or for this year and next, if you haven't claimed it yet.

To determine if you might be eligible to take advantage of the credit, use the Taxpayer Advocate's [Small Business Health Care Tax Credit Estimator](#). This tool will walk you through the required calculations to help you determine if you can take the credit and estimate the amount.

For more general information about this credit, visit the [Taxpayer Advocate Service Small Business Healthcare](#) page or the IRS's [Small Business Health Care Tax Credit for Small Employers](#) page. You can also view the frequently asked questions and answers about this credit on the [Small Business Health Care Tax Credit Questions and Answers: Who Gets the Tax Credit](#) page.

Best of all though, is the ability to use the [Small Business Health Care Tax Credit Estimator](#) for planning. If you're eligible, you might save thousands of dollars. Isn't that worth a look? [IRS](#)

Law now requires dual notice of address changes on employment tax accounts

Outsourcing payroll and related tax duties to third-party payroll service providers (PSPs) is a common business practice for small business owners. PSPs help employers with filing deadlines, deposit requirements and reporting taxes on behalf of the employers.

What if the PSP does not manage the records correctly or embezzles the federal tax deposits and not pay the IRS in a timely manner? The employers remain responsible for all unpaid tax, penalties, and interest. Congress recently enacted legislation that requires the IRS to issue dual address change notices related to open employment tax filing requirements. The Law requires IRS to send dual notices to

business taxpayers regarding an address change to help prevent identity theft, and increase efficiencies by having the IRS receive timely responses to its inquiries and notices without repeated mailings.

Any address change made with an open employment tax filing requirement will generate the following notices:

- **CP 148A:** Confirmation of address change mailed to the taxpayer's new address
- **CP 148B:** Confirmation of address change mailed to the taxpayer's previous address
- **Note:** These notices will also be issued for any address variation from the address of record for

the business entity, e.g. interchanging "Street" for "St."

For more information go to: [Understanding Your CP148A Notice](#) or [Understanding Your CP148B Notice](#), or [Form 8822-B - Change of Address or Responsible Party – Business](#). 

Employer Services Web Application on Office of Child Support Enforcement's child support portal

Did you know that reporting pending lump sum payments and employee terminations to many state child support agencies at one time is available online on Office of Child Support Enforcement's child support portal? Using the [Employer Services Web Application](#) employers can select [Lump Sum Reporting](#) (formerly called Debt Inquiry Service) or [eTerm](#) to provide information to states quickly and efficiently.

As of January 2015, forty-eight states and territories receive notifications from employers using Lump Sum Reporting and forty-four states and territories receive notifications from employers using eTerm. This makes it easy for you to report information for these states and territories in one

place! New employers are joining every week – to date we have 131+ employers, representing over 1,500 Federal Employer Identification Numbers participating.

Use [Lump Sum Reporting](#) to provide information about employees who are eligible to receive a bonus or lump sum payment by either uploading a file or entering information on a screen.

Use Electronic Terminations (eTerm) to report all terminated employees with child support orders or to respond to income withholding orders (IWOs) you receive for individuals who no longer or never worked for your company. Save time by using eTerm because you do not need to complete [page 3](#) of the IWO or another form that you currently fax

or mail to the child support agency. This is a simple, fast and economical way to notify states about terminations with no cost to employers.

If you are an employer using OCSE's electronic income withholding order (e-IWO) process you can notify states about pending lump sum payments and terminations through e-IWO.

For more information about lump sum and termination reporting or to schedule a demonstration, please contact OCSE Employer Services at employerserviceswebapp@acf.hhs.gov 

Businesses may still have time to set up a SEP Retirement Plan for 2014

If you own a business and received an extension of time to file your 2014 business return, you still have time to set up a [Simplified Employee Pension](#) (SEP) plan for 2014. If you set up and fund your SEP by the extended due date of your 2014 business return, you can still take a deduction for 2014.

If your business uses the calendar year for its tax year and filed an extension for its tax return, the deadline to set up and contribute to a SEP plan for 2014 depends on the type of your business organization:

- **Corporation filing Form 1120 or 1120S** - you have until September 15, 2015.
- **Partnership filing Form 1065** - you have until September 15, 2015.

- **Sole proprietorship reported on Schedule C of Form 1040** - you have until October 15, 2015.

You can [set up a SEP](#) plan for little or no cost at a bank, investment firm or insurance company.

SEP plans offer high contribution and deduction limits, minimal paperwork and no annual Form 5500 filing. You can contribute to a SEP plan even if you participate in an unrelated employer's plan (for example, a 401(k) plan). Contributions to a SEP plan are subject to the [SEP contribution limits](#).

Other kinds of business-sponsored retirement plans must have been established before the end of 2014 in order for the business to get a deduction for 2014.

Additional resources

- [Small Business Retirement Plan Resources](#)
- [Publication 560, Retirement Plans for Small Business](#)
- [Publication 4333, SEP Retirement Plans for Small Businesses](#)
- [SEP Plan FAQs](#)
- [SEP Checklist](#)



Accurate Affordable Care Act reporting will require payroll, HR, and benefits to work together

While employers should already be tracking the data necessary to determine their status under the Affordable Care Act and complete the new ACA reporting forms, they may not have determined whether the payroll, human resources, or benefits department will be responsible for the filings. Regardless of which department is ultimately tasked with the responsibility for completing the forms, it is clear that they will have to work together because each department will probably control the system housing some of the data that must be reported.

Basic ACA requirements

The ACA requires an applicable large employer (ALE) to offer its full-time employees and their dependents minimum essential coverage that is affordable and provides minimum value.

An ALE is defined as an employer that has a combination of 50 or more full-time and full-time equivalent employees. For 2015, health coverage is considered affordable if the amount of the premium paid by the employee is no more than 9.56% of an employee's household income. However, because employers often do not know an employee's actual household income, there are safe harbors in place including one that deems coverage affordable if it is equal to or less than 9.5% of the employee's Form W-2, Box 1 wages. Under the ACA, a health plan that covers 60% of the cost of benefits expected to be incurred meets minimum value requirements.

ACA penalties

There are two types of penalties that don't provide the required coverage under the ACA. If an ALE does not offer coverage, or offers coverage to less than 95% (reduced to 70% for 2015) of its full-time employees and their dependents and at least one employee receives a premium tax credit, then the ALE is subject to an Employer Shared Responsibility payment. The ESR payment is calculated by multiplying the number of full-time employees by \$2,000, with an exclusion for the first 30 full-time employees (increased to 80 for 2015).

If an ALE offers coverage to 95% or more (reduced to 70% for 2015) of its full-time employees and their dependents, but there are full-time employees that receive a premium tax credit because the offered coverage was not affordable or did not provide minimum value, then the ALE

will be subject to a second type of ESR payment. In this case the payment will be \$3,000 per employee that received the premium tax credit. Importantly, both of the penalties are calculated on a monthly basis.

For 2015 there are two types of transition relief for ALEs. For ALEs with 100 or more full-time employees, the relief is in the form of a lower percentage of full-time employees who must be offered coverage or a larger exclusion of full-time employees subject to the \$2,000 penalty. For ALEs with 50 to 99 full-time employees, no ESR payment will be due even if the coverage requirements are not met. However, these employers are still subject to the ACA reporting requirements.

Because ACA penalties are calculated on a monthly basis, ALEs must be able to track their full-time employees for each month as well as corresponding health coverage status. This is even more important in 2015 because of the various indicator codes that will be used on the forms to claim the applicable transition relief.

Data required to complete ACA reporting

ALEs will generally file two ACA forms that follow a procedure similar to that for filing Forms W-2 and W-3. Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*, will function much like the Form W-2 with copies going both to the IRS and full-time employees. Form 1094-C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*, will function like a Form W-3. For ALEs that have different divisions, each may file a 1094-C for each entity, but one must be marked as an authoritative transmittal and provide data on all the Forms 1095-C filed by the ALE.

IRS Publication 5196, *Getting Ready for Monthly Tracking*, provides an overview of the data that will be required to complete the ACA reporting forms. To complete Form 1095-C, ALEs must report the following information, for each full-time employee, broken down by month: 1) information about the offer of coverage to each employee, 2) whether the employee was enrolled in the plan, 3) the employee's share of the lowest-cost self-only minimum value coverage, and 4) whether the affordability safe harbor or other transition relief applies.

To complete an authoritative transmittal on Form 1094-C, ALEs must report: 1) whether coverage was offered to 95% (70% for 2015) of the organiza-

tion's full-time employees, 2) the total number of Forms 1095-C that the organization issued, 3) the number of full-time employees and total number of employees by month, 4) if applicable, information about members of the aggregated ALE group, and 5) whether the organization qualifies for transition relief.

Payroll, HR, Benefits must work together

Payroll will have the necessary information concerning the W-2 wages or rate of pay needed to determine the affordability of the offered coverage if the employer relies on one of those affordability safe harbors.

However, that is only part of the reporting equation. HR or Benefits will likely have the data on the lowest-cost self-only minimum value coverage that was offered by the employer. Beyond this basic calculation, there are other data elements that one department or the other must be able to provide. For instance, HR may have the data to determine whether a newly hired full-time employee was in a waiting period before an offer of coverage was made, while a time and attendance system may be used to determine whether an employee who has shifting schedules qualified as a full-time employee throughout the reporting period.

For employers that are self-insured, additional data elements must be provided in Part III of Form 1095-C, some of which may be especially difficult to track. Self-Insured ALEs must report the name and SSN of all the individuals covered by the employee's choice to enroll in employer-provided health coverage (employee, spouse and/or dependents). If an SSN is not available for a covered individual, the ALE may report the individual's birthdate instead. This is information that the ALE may not have and will need to get from the employee or a third-party administrator prior to completing Form 1095-C. Either payroll or HR may be asked to solicit this information.

APA Resources

The American Payroll Association's [Payroll Tax Forum](#) will provide additional information about the ACA health insurance data that must be reported for 2015. The Forum will be offered in 18 cities in mid-to late June. If you are not able to attend in person, the Forum will also be available in July as a four-part Webinar on demand. [APA](#)

Outsourcing payroll duties require an understanding

Many small businesses use payroll service providers. They can be a real time saver by helping employers with their employment tax filing and deposit requirements. However, even when a payroll service is used, the employer is still responsible for filing returns and paying employment taxes. Keep in mind, the IRS can hold you and your business liable if payroll taxes go unpaid.

Here are a few tips if you use a payroll service:

Check the [Payroll Service Providers](#) page on IRS.gov.

Review your employment tax returns before they are filed to ensure they are accurate.

Most payroll tax deposits are made through the [Electronic Federal Tax Payment System \(EFTPS\)](#).

Consider enrolling in EFTPS. This gives you the option of making any missed payroll tax deposits. You can also pay your individual and other business taxes either online or by phone using EFTPS. To enroll or get more information, call 800-555-4477 or visit the [EFTPS](#) website.

Use your own EFTPS account PIN or an inquiry PIN to monitor payroll tax deposits made on your behalf. EFTPS gives you safe and easy online access to a 16-month history of deposits made under your Employer Identification Number.

If you suspect your payroll service isn't doing everything it should, file a complaint with the IRS using [Form 14157](#), Complaint: Tax Return Preparer. Your complaint will be handled as soon as possible.

Don't change your address of record with the IRS to the address of your payroll service provider, and don't let your payroll service provider do it. Remember, you and your business are ultimately responsible, so review and respond quickly to any correspondence you receive from the IRS.

Be familiar with the tax [due dates](#) that apply to employers. You can use the [Small Business Tax Calendar](#) to keep track of these key dates.

For more information on [employment taxes](#) and [outsourcing your payroll](#), visit IRS.gov. **APA**

Know the rules for IRA contributions and required minimum distributions

Most of us have retirement savings to help us afford the lifestyle we want when we retire. Some savings are in Individual Retirement Accounts usually managed by the financial institutions of our choice.

What a lot of us don't know are the contribution and withdrawal rules governing IRA accounts, and the penalties for non-compliance.

For 2015, the maximum you may be able to contribute to a traditional or Roth IRA is:

- \$5,500 (\$6,500 if you are age 50 or older), or
- your taxable compensation for the year

This is the maximum you may contribute to any or all IRAs combined.

If you are age 70½ or older, you may not contribute to a traditional IRA at all. You may contribute to a Roth IRA for as long as you want as long as you continue to receive compensation.

The penalty you pay for contributing more than is allowed is an excise tax of 6% on amounts over the contribution limit.

Other IRA rules may limit or eliminate your ability to contribute to an IRA, including income, filing status and the amount of your taxable compensation. Tax deductions may be limited based on whether you or your spouse has an employer retirement plan if your income is above certain levels.

You must make withdrawals from a traditional IRA by April 1 of the year following your 70 ½ birthday; failure to do so requires that you pay a 50% excise

tax on the amount you are [required to take](#). You can request a [waiver of the tax](#) if you did not take your required withdrawal.

You're taking the right steps to help secure your retirement future with an IRA, following the rules helps you maximize your retirement savings.

Additional IRA information:

[IRA-Contribution-Limits](#)
[Required-Minimum-Distributions](#)
[Publication 590A, Contributions to Individual Retirement Arrangements](#)
[Publication 590-B, Distributions from Individual Retirement Arrangements](#)

IRS

Form 8955-SSA...

Does your retirement plan have participants who have separated from service and have deferred vested benefits? List them on Form 8955-SSA ([Resources](#)).



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

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Additional Medicare Tax: Rules for married filing separate spouses and registered domestic partners in community property states

On Nov. 26, 2013, the IRS issued final regulations (TD 9645) implementing the Additional Medicare Tax as added by the Affordable Care Act. The Additional Medicare Tax applies to wages, railroad retirement (RRTA) compensation, and self-employment income over certain thresholds. Employers are responsible for withholding Additional Medicare Tax on wages and RRTA compensation in certain circumstances.

An individual is liable for Additional Medicare Tax if the individual's wages, compensation, or self-employment income (together with that of his or her spouse if filing a joint return) exceed the threshold amount for the individual's filing status:

Filing Status	Threshold Amount
Married filing jointly	\$250,000
Married filing separate	\$125,000
Single	\$200,000
Head of household (with qualifying person)	\$200,000
Qualifying widow(er) with dependent child	\$200,000

Married Filing Separate Spouses

Individuals who are married filing separate spouses in a community property state will calculate their Additional Medicare Tax liability, using the married filing separate threshold amount of \$125,000, without regard to the income tax treatment of the community property income:

- Each spouse will calculate Additional Medicare Tax based on his or her own wages.
- Only the spouse carrying on the trade or business generating the self-employment income will calculate Additional Medicare Tax on the self-employment income because the self-employment tax rules contain a provision that overrides community income treatment (section 1402(a)(5) of the Internal Revenue Code).

Married filing separate spouses living in a community property state will determine their credit for Additional Medicare Tax withheld on wages, their credit for income tax withholding or their credit for estimated tax payments.

- The credit for any Additional Medicare Tax withheld on wages applies only to the wage earner. However, in community property states, half of any income tax withholding on one spouse's wages will be credited to the other spouse. By contrast, each spouse can take full credit for the estimated tax payments that he or she made. However, if married filing separate spouses made joint estimated tax payments, either spouse can claim all of the estimated tax paid, or they may agree to divide it between them.

If they cannot agree on how to divide it, each spouse may claim credit for the portion of the estimated tax payments that equals the total estimated tax paid times the tax shown on the spouse's separate return, divided by the combined total of the tax shown on both spouses' returns.

- As a result, an individual living in a community property state who is a married filing separate spouse and who anticipates Additional Medicare Tax liability should be aware that the credit for any additional income tax withholding will be split between both spouses. Estimated tax payments can be fully claimed by the spouse who made them or, if made jointly, divided between them as agreed or in proportion to their tax liability.

Registered Domestic Partners

Registered domestic partners (RDPs) are not married for federal tax purposes so they can only use the single filing status or, if they qualify, the head of household status. Thus, their threshold for Additional Medicare Tax is \$200,000. RDPs who reside in a community property state and who are subject to the state's community property laws will calculate their Additional Medicare Tax liability as follows:

- Each individual will calculate Additional Medicare Tax based on his or her own wages without regard to the income tax treatment of wages as community property income.
- Each individual will calculate Additional Medicare Tax on half of the total self-employment income earned by both RDPs. Although the self-employment tax rules contain a provision that overrides community income treatment in the case of spouses (section 1402(a)(5) of the Internal Revenue Code), this provision does not apply to RDPs.

The credit for any Additional Medicare Tax withheld on wages applies only to the wage earner. However, for an RDP who resides in a community property state and who is subject to the state's community property laws, half of any income tax withholding on wages will be credited to the other RDP. By contrast, each RDP takes full credit for the estimated tax payments that he or she made. RDPs cannot make joint estimated tax payments.

As a result, an RDP who is subject to his or her state's community property laws and who anticipates Additional Medicare Tax liability should be aware that the credit for any additional income tax withholding will be split between both RDPs but that estimated tax payments are fully claimed by the RDP who made them.

For more information on Additional Medicare Tax, visit IRS.gov - [Questions and Answers for the Additional Medicare Tax](#). 

Excess IRS contributions could create a tax

There are limits on the contributions you can make to traditional and Roth IRAs. An excess IRA contribution occurs if you:

- Contribute more than the contribution limit.
- Make a regular IRA contribution to a traditional IRA for a year if you're age 70½ or older in that year (you may be able to contribute to a Roth IRA regardless of your age).
- Make an improper rollover contribution to an IRA.

You must pay an excise tax of 6% per year as long as the excess contributions remain in the IRA, but not more than 6% of the combined value of all your IRAs as of the end of the year.

To avoid the excise tax, you should withdraw:

- the excess contribution from your IRA and
- any income earned on the excess contribution by the due date of your individual income tax return (including extensions).

For most taxpayers, if you filed your tax return by April 15, 2015 without withdrawing the excess

contributions, you can still remove the additional 6% tax if you take the withdrawal no later than October 15, 2015 by filing an amended return.

You may also be able to avoid including withdrawals of excess contributions in your gross income even if withdrawn after the due date of your tax return under [certain conditions](#).

Double check the IRA contributions you have made for 2014 and 2015 and withdraw any excess contributions. 

Tax payments made easy

If you get a tax bill from the IRS, don't ignore it. A delay may cost you more in the long run. The longer you wait the more interest and penalties you may have to pay. It's simple to make payments using IRS [electronic payment options](#). Here's some information to help you pay and avoid those extra charges:

Pay electronically. [IRS electronic payment options](#) are quick, easy and secure. You also get a record of your payment. Your options include: IRS Direct Pay

- Electronic Federal Tax Payment System
- Credit or debit card

[Direct Pay](#) and [EFTPS](#) are free services. If you pay by [credit or debit card](#), the company that processes your payment will charge a fee.

Pay monthly if you can't pay in full. If you can't pay all at once, apply for a payment plan. You can apply using the IRS [Online Payment Agreement Application](#) on IRS.gov.

Pay by check or money order. Make your [check or money order](#) payable to the U.S. Treasury. Mail it to the address listed on your notice. Do not send cash in the mail.

Additional resources:

[Publication 5034 Need to make a payment? flyer](#)

IRS YouTube Videos:

- Online Payment Agreement – [English](#) | [Spanish](#) | [ASL](#)
- IRS Tax Payment Options – [English](#) | [Spanish](#) | [ASL](#)

IRS Podcasts:

- Online Payment Agreement – [English](#) | [Spanish](#)
- IRS Tax Payment Options – [English](#) | [Spanish](#)



Is it time to change your tax withholding?

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](#) 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.

Who can benefit from the withholding calculator?

- Employees who would like to change their withholding to reduce their tax refund or their balance due;
- Employees whose situations are only approximated by the worksheets on the paper W-4 (e.g., anyone with concurrent jobs, or couples in which both are employed; those entitled to file as Head of Household; and those with several children eligible for the Child Tax Credit);

- Employees with non-wage income in excess of their adjustments and deductions, who would prefer to have tax on that income withheld from their paychecks rather than make periodic separate payments through the estimated tax procedures.

Caution: If you will be subject to alternative minimum tax, self-employment tax, or other taxes; you will probably achieve more accurate withholding by following the instructions in [Pub 505: Tax Withholding and Estimated Tax](#).

Tips for using this program

- Have your most recent pay stubs handy.
- Have your most recent income tax return handy.
- Estimate values if necessary, remembering that the results can only be as accurate as the input you provide.

To change your withholding:

1. Use your results from this calculator to help you complete a new [Form W-4, Employee's Withholding Allowance Certificate](#).
2. Submit the completed Form to your employer.

Ready to start? Make sure scripting is enabled on your computer or mobile device? before using this application. [Continue to the Withholding Calculator](#). More information about [tax withholding](#) – including an IRS YouTube [video](#) - is available on IRS.gov. 

IRS Lead Development Center working to combat abuse

Stopping abusive promoters and preparers as early as possible is a high priority to the IRS. The IRS would like your help in identifying promoters of “too good to be true” abusive tax schemes and tax preparers using illegal schemes to avoid paying taxes.

Abusive tax schemes cause harm to both the federal government and the promoter’s clients who participate in these schemes. The LDC’s mission is to identify and deter individuals who promote abusive tax schemes and/or prepare abusive returns.

Taxpayers should be cautioned not to be taken in by promoters of tax schemes.

Those who do get involved in the scams peddled by abusive tax preparers or promoters could face a heavy tax burden that include not only taxes owed, but the addition of substantial penalties and interest.

Use the [Report Suspected Abusive Tax Promotions or Preparers](#) form to make a referral to the IRS. Learn more about the role of the Lead Development Center and abusive tax schemes at www.irs.gov/scams. **IRS**

IRS news just a click away

Get IRS news in your inbox by subscribing to free e-newsletters including:

- [e-News for Payroll Professionals](#) for information about federal payroll reporting such as legislative changes, news releases, special announcements and employment tax procedures.
- [e-News for Small Businesses](#) for information of interest to small business owners and self-employed individuals such as important tax dates, reminders and tips, news releases and special announcements. **IRS**

New service for employees from E-Verify

E-Verify, the free service from the Department of Homeland Security administered in partnership with the Social Security Administration, currently used by 600,000 employers at more than 1.9 million hiring sites, quickly confirms the employment eligibility of new employees. Now, with the introduction of the new myE-Verify website, DHS has expanded the tools available for workers to also participate in the E-Verify process.

DHS developed myE-Verify in response to Congress’ request to offer services for employees to participate in the E-Verify process. Use of myE-Verify is free, secure and voluntary. Employers cannot require job seekers or their employees to use it but may share information about the availability of the website and its services. myE-Verify has something useful for everyone. Please visit www.USCIS.gov/myE-Verify today and try it yourself.

Here is what myE-Verify offers:

Self Check: Anyone 16 or older can use this tool to verify their own employment eligibility data against the same records E-Verify checks. If a mismatch occurs, you can learn how to make updates. Self Check is also available in [Spanish](#). The Self Check tool kit has information in multiple languages. DHS is encouraging job seekers to use it.

myE-Verify personal accounts: Anyone authorized to work in the United States can establish a secure personal account. Account holders can access additional myE-Verify features.

Self Lock lets myE-Verify account holders protect themselves from employment-related identity fraud by preventing unauthorized use of their social security number in E-Verify.

myResources is a section of [myE-Verify](#) with information in multiple formats and languages about E-Verify, privacy, employee rights and roles, and employer responsibilities.

More features coming soon:

DHS expects to release myE-Verify in Spanish this year and will soon add the following features. Case history will increase the transparency by showing account holders where and when their social security number was used in E-Verify. Case tracker will allow employees to track the status of an E-Verify or Self Check case. Document expiration reminders will let myE-Verify users register to receive an email when a document is about to expire.

DHS offers many services to employers to support their use of the Employment Eligibility Verification Form I-9 and E-Verify. This includes new Form I-9 and [E-Verify webinars-on-demand and live webinars](#). Visit www.dhs.gov/E-Verify to see the schedule and more resources. To enroll to use E-Verify, visit the [enrollment page](#). **DHS**

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Inside
this Issue...

Fall 2015

A Newsletter for Employees

Failing to file 2014 tax returns will prevent advance payments in 2016

Page 2

Recent developments in retirement plans interest many

Page 2

IRA 2015 year-end reminders could save you money

Page 2

IRS Collection launches Early Interaction Initiative

Page 3

APA Seminar/Webinar: Year-end compliance and new rules for 2016

Page 3

Effectively planning for the taxation of awards and prizes

Page 4

What you should consider before taking a 401(k) plan loan

Page 5

An opportunity to give and receive free tax help

Page 5

E-Verify resources bolster your onboarding process

Page 5

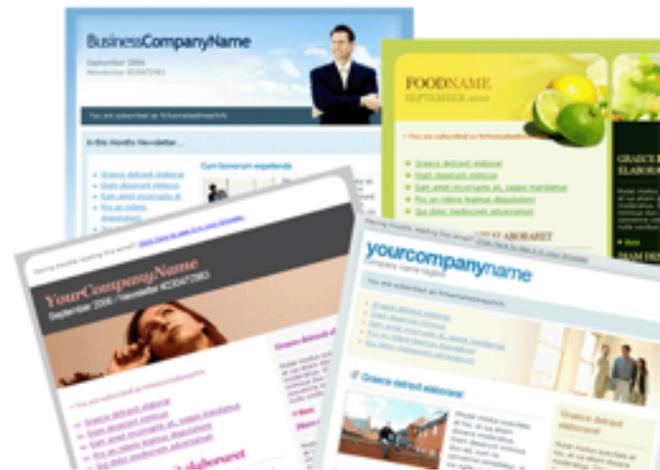
The Outreach Corner: Simply click, copy and paste

With nearly 58,000 subscribers, the Outreach Corner on IRS.gov offers an array of tax information that you can share with your employees. Each month, timely information is added for individuals and families on topics like available tax credits for which they may qualify, types of contributions to make to retirement plans, where to find FREE tax assistance, how they can track their tax refund and much more. In the fast-paced world of communications, there is often little time or limited resources to help the average person understand tax law. So, the IRS created the [Outreach Corner on IRS.gov](#) to make it a little easier for organizations to reach the people they serve.

The Outreach Corner includes FREE timely material to *click, copy and paste* into websites, newsletters and other communication vehicles. It includes ready-to-use articles written in plain language, IRS audio and video files, widgets, tweets and more.

This could save you a step when you need tax information to share quickly with your employees on a particular tax matter. The Outreach Corner puts this information all in one place.

The Outreach Corner updates at least once a month.



Anyone needing products that reach taxpayers is encouraged to subscribe and take advantage of the available material. Please share this [subscription link](#) and promote the Outreach Corner as a valuable resource.

For questions, comments, or to learn more on the Outreach Corner send an email to Partner@irs.gov. 

IRS News is just a click away

Get IRS news in your inbox by subscribing to free [e-newsletters](#) including:

- **e-News for Payroll Professionals** for information about federal payroll reporting such as legislative changes, news releases, special announcements and employment tax procedures.
- **e-News for Small Businesses** for information of interest to small business owners and self-employed individuals such as important tax dates, reminders and tips, news releases and special announcements. 

Failing to file 2014 tax returns will prevent advance payments in 2016

Eligible employees – or their family members – who received advance payments of the premium tax credit in 2014 under the [health care law](#), should file a 2014 tax return as soon as possible – *even if they missed the April 15 deadline or received an extension to file until Oct. 15* – to ensure they can timely receive advance payments next year from the Health Insurance Marketplace.

When eligible employees – or their family members – purchased health coverage for 2014 through the Marketplace, if they chose to have advance payments of the premium tax credit sent directly to their insurer to lower monthly insurance premiums, they are required to file a tax return to reconcile advance payments even if they are otherwise not required to file.

If advance payments of the [premium tax credit](#) were paid on behalf of an individual or their family member in

2014, and they do not file a 2014 tax return, they will not be eligible for advance payments of the premium tax credit or cost-sharing reductions to help pay for Marketplace health insurance coverage in 2016. This means the employee will be responsible for the full cost of monthly premiums and all covered services. In addition, the IRS may contact them to pay back some or all of the 2014 advance payments of the premium tax credit.

Because Marketplaces will determine eligibility for advance tax credit payments and cost-sharing reductions for the 2016 coverage year this fall, it will substantially increase the chances of avoiding a gap in receiving this help if eligible employees file a 2014 tax return with Form 8962, Premium Tax Credit, electronically as soon as possible.

To repeat, taxpayers who missed the April 15 deadline or received an extension to file until Oct. 15, should

file a return as soon as possible. File now to reconcile any advance credit payments received in 2014 and to maintain eligibility for future premium assistance.

Taxpayers must complete [Form 8962](#) to reconcile advance credit payments with the premium tax credit they are eligible to claim on the return. They should have received [Form 1095-A, Health Insurance Marketplace Statement](#) from their Marketplace with information they will need when completing Form 8962. They should contact the [Marketplace](#) directly with questions about the information on Form 1095-A for 2014, or about receiving Form 1095-A for 2014.

Filing electronically is the best and simplest way to file a complete and accurate tax return as it guides you through the process and does all the math. For more information about the Affordable Care Act and the premium tax credit, visit [IRS.gov/aca](#). 

Recent developments in retirement plans interest many

Read recent developments that may affect your retirement plan:

- [Disaster relief for retirement plans and IRAs](#) – certain retirement plan or IRA deadlines may be extended.
- [2016 deadline to adopt pre-approved defined contribution plans](#) – employers must adopt new plans by April 30, 2016.
- [Employee Plans email questions](#) – Beginning October 1, Employee Plans will no longer accept technical questions through email or from Customer Account Services.
- [Changes to the Employee Plans Determination Letter Program](#) – Starting in 2017, the IRS will eliminate the staggered remedial amendment cycles and limit the scope of the determination letter program for individually designed plans.
- [Penalty relief program for Form 5500-EZ late filers](#)

To make sure you receive the latest retirement plans news, [subscribe](#) to the free IRS newsletter *Retirement News for Employers*. Also visit (and bookmark) the [Tax Information for Retirement Plans Web page](#) on [IRS.gov](#) for other retirement plan resources, such as:

- [Resources for individuals](#)
- [Retirement plan administration](#)
- [Types of retirement plans](#)
- [Retirement plans FAQs](#)
- [Free webinars and phone forums](#)
- [Forms and publications](#)
- [Correcting plan errors](#) 

IRA 2015 year-end reminders could save you money

IRAs are a great way to save for retirement. Here are some reminders for 2015.

Contributions Limits

Review the [2015 IRA contribution and deduction limits](#) to make sure you're taking full advantage of the opportunity to save for retirement. You can contribute up to \$5,500 (\$6,500 if you are age 50 or older by the end of 2015) or your taxable compensation, if less, to a [traditional or Roth IRA](#).

However, you may not be able to [deduct](#) your traditional IRA contributions if you or your spouse is covered by a [retirement plan at work](#) and your income is above a certain level. If you file a [joint return](#), both you and your spouse may be able to make IRA contributions even if only one of you has taxable compensation. The contributions cannot exceed the taxable compensation reported on the joint return. You have until April 15, 2016, to make an IRA contribution for 2015.

Excess contributions

If you've exceeded the 2015 IRA contribution limit, you should withdraw the excess contributions from your account by the due date of your 2015 tax return (including extensions). Otherwise, you must pay a 6% tax each year on the excess amounts remaining in your account.

Required minimum distributions

If you're 70½ or older, you must take a [required minimum distribution](#) (RMD) from your traditional, SEP and SIMPLE IRAs by December 31, 2015 (April 1, 2016, if you turned 70½ in 2015). You can calculate the amount of your RMD for a traditional, SEP or SIMPLE IRA by using these [RMD worksheets](#). You must calculate the RMD separately for each of your traditional IRAs, but can withdraw the total amount from one or more of them. You are subject to a 50% excise tax if you don't take your RMD on time; however, you can request that the tax be waived. [Roth IRAs](#) do not require withdrawals until after the death of the owner.

Editor Note: Below are helpful resources on retirement topics found on [IRS.gov](#).

- [FAQs: IRAs](#) – answers to questions on the various IRA rules and requirements.
- [FAQs: Required Minimum Distributions](#) – answers to common questions about the RMD rules and requirements.
- [Publication 590-A, Contributions to Individual Retirement Arrangements \(IRAs\)](#)
- [Publication 590-B \(2014\), Distributions from Individual Retirement Arrangements \(IRAs\)](#)
- [Publication 560 \(2014\), Retirement Plans for Small Business](#) 

IRS Collection launches Early Interaction Initiative

In line with IRS-wide efforts to provide timely service, IRS Collection is launching an Early Interaction Initiative. The goal of the initiative is to help employers understand and meet their payroll tax responsibilities, prevent missed payments from becoming delinquencies and delinquencies pyramiding out of control.

For many years, Collection's field staff has been assigned Federal Tax Deposit Alerts (FTD Alerts) where our records indicate that an employer's payroll tax deposits have declined. These cases were sent to Field Collection staff near the end of the quarter but before the quarterly payroll tax return was due. Then as now, the goal was to meet the employer, determine whether there was a missed payment or delinquency, and if so, help to get it paid and the employer to sustain payroll tax compliance.

The Early Interaction Initiative will accelerate and enhance the FTD Alert process. Collection's work plans have been adjusted to allow field officials to work more FTD Alerts more quickly.

IRS does not have the resources to visit every employer whose payroll tax deposits decline. So many will receive a letter saying that we have reviewed their federal payroll tax deposit history and their deposits appear to have decreased. The letter will ask the employer to contact us, by letter or phone, and help us understand the reason for the decrease in deposits. In addition, the letter will remind the employer of their payroll tax responsibilities, advise them of the consequences of not complying with those responsibilities and provide assistance to help them comply.

Other FTD Alerts will be assigned to Field Collection with priority given to cases where the employer has preexisting delinquencies. The number of cases assigned to Field Collection will increase under the early interaction initiative.

Where the employer has an explanation for the decline in payroll tax deposits, a cut in staff or a reorganization for example, the case will be closed. Where a delinquency exists, Field Collection will work with the employer to correct the delinquent condition going forward and address the unpaid tax, penalty and interest.

Finally, IRS is currently adjusting systems to monitor federal payroll tax deposits to get FTD Alerts out even more quickly. The sooner a potential problem is identified the better the chances it can be successfully addressed and corrected for both the employer and the IRS.

Payroll taxes withheld from employee's wages and salaries are a trust fund. Employers withhold income and Federal Insurance Contribution Act (FICA) taxes from employee's gross pay and hold it in trust until required to deposit it, along with their share of FICA taxes, with the Treasury. When FICA taxes are not deposited, the Social Security and Medicare trust funds suffer. When withheld income taxes are not deposited, the employees still get credit for those "withholdings" on their tax return, and will get their benefits later by proving the withheld amounts, and the rest of the American taxpaying public effectively makes up the difference and pays for their refunds and benefits.

Businesses are informed about their employment tax responsibilities by IRS, SSA, SBA and others in the business community and marketplace upon their establishment and advised about the consequences of missing required payments. The reason for the advice and early alerts is that missed payments mount quickly to employment tax delinquencies, along with interest and penalties, which accumulate or pyramid beyond the ability of the business to repay the amounts owed.

Businesses, especially when encountering liquidity difficulties, may use monies withheld from employees' pay for working capital or other purposes. This may be an innocent diversion of the employment tax funds initially but the withheld pay and matching amount owed quickly pyramid and become a liability beyond the ability of the employer to repay. By the time the employer, IRS, or other creditors realize the pyramiding condition, the options for repayment decrease and the viability of the ongoing operation comes into question. Due to privacy and disclosure laws, these pyramiding employment tax delinquencies are not known to the business community or marketplace, beyond IRS liens placed on business assets. Banks, suppliers, and others may, therefore, unwittingly continue to extend credit to the delinquent business without knowing their true repayment risk.

Applying the tax laws with fairness for all requires that the IRS address payroll tax delinquencies as soon as possible. This involves proactively precluding delinquencies where we can and keeping delinquencies to a minimum.

Employers who need information on how to comply with their payroll tax responsibilities are encouraged to explore the many resources on the IRS website, IRS.gov. A search on the phrase "employment tax" is a good start. More specifically, employers may want to visit any of the following IRS.gov pages.

[What Are FTDs and Why are they Important? Employment Taxes](#)

[Understanding Employment Taxes](#)

[Depositing and Reporting Employment Taxes](#)

[Employment Tax Publications](#)

[Small Business Taxes – The Virtual Workshop](#) 

APA Seminar/Webinar: Year-end compliance and new rules for 2016

The American Payroll Association's "Preparing for Year-End and 2016" provides updates on the latest changes in legislation and regulations that affect the close of 2015 and the first payroll of 2016, including:

- How employers will comply with the Affordable Care Act's health insurance reporting requirements,
- How the prospect of credit reduction states will impact Form 940 processing in 2015,
- How fringe benefit taxation will impact W-2 and 941 reporting, and
- How to apply the IRS and state rules for benefits provided to spouses in a same-sex marriage.

The one-day seminars are available in 50 cities nationwide. If you cannot get out of the office, all four segments of the class are offered as webinars online, both live and on demand. There are other APA Year-End seminars/webinars that have been customized for specialized areas of focus: government/public sector payrolls, Canadian payrolls, and accounts payable professionals.

There is also a four-segment webinar covering advanced year-end issues, including complex fringe benefit taxation and reporting requirements.

For more information, visit the [Courses & Conferences](#)

page on the APA website (www.americanpayroll.org) and look under the Specialty Seminars or Webinar heading for the version of the Preparing for Year-End and 2016 course that suits your needs.

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 on their [website](#). 

Effectively planning for the taxation of awards and prizes

When employers decide to offer awards or prizes to their employees, payroll professionals need to be ready to explain the financial impact that these awards may have for both the employer and the employee. In most cases, the value of an award must be included in the employee's income and is subject to federal income tax withholding and social security, Medicare, and FUTA taxes. However, there are some situations when the value of a noncash award may be excluded from taxable income. When all or part of the value of an award is taxable, the employer may choose to pay the taxes on behalf of the employee. In these situations, payroll must calculate the "grossed-up" amount to provide to the employee. Because the grossed-up amount may be significantly higher than the initial award, payroll should be prepared to explain the variance.

Grossing-up

When all or part of an award will be taxable income to the employee, an employer may decide to pay the taxes on the employee's behalf to ensure that the employee receives the intended amount of the award. This includes federal and state income taxes, social security taxes, and Medicare taxes. Of course, the amount to cover the taxes is also taxable income to the employee.

To help figure out the amount to add to the initial amount, the IRS has approved a procedure to calculate the total payment. The procedure, known as "grossing up," calculates the total amount of the payment by dividing the net amount by the difference between 100% and the applicable total tax percentage.

Say an employer wants to give an employee a \$1,000 bonus. Let's assume the federal and state income tax supplemental withholding rates are 25% and 3.5%, respectively; social security tax is 6.2%; and Medicare tax is 1.45% (totaling 35.15%). To determine the grossed-up rate, subtract 35.15% from 100%, equaling 63.85%. Then divide the desired net amount (\$1,000) by the grossed-up rate (63.85%) to find the grossed-up amount (\$1,566.17).

Length of service or safety achievement awards

In certain circumstances, the value of an award for

length of service or safety achievement may be excluded from an employee's income. The tax status hinges on whether the employer may deduct the value of the award as a business expense. To qualify as a business expense, there are general requirements that each type of award must meet and additional requirements that are specific to the type of award.

General deductibility requirements

Awards for length of service and for safety achievement must be of "tangible personal property," meaning that they cannot be in the form of cash, a cash equivalent, stocks, bonds, vacations, meals, lodging, or tickets to theater or sporting events. The awards must be given through a "meaningful presentation." While the presentation does not have to be elaborate, it must emphasize the achievement (e.g., presentation by a supervisor at a gathering of employees). Finally, the awards must not be in the form of "disguised compensation." For example, an award given in conjunction with a salary review may appear as compensation rather than an award for achievement.

Length of service award

A length of service award must meet specific time requirements to qualify as deductible. The award must not be presented until the employee has been on the job for five years. The frequency of the award is also limited. An award may not be given to the same employee within the previous four years. While an award for retirement is considered a length of service award, it may also be deductible as a *de minimis* fringe benefit.

Safety achievement award

To be deductible, safety achievement awards may not be presented to managers, administrators, professional employees, or clerical employees. Also, no more than 10% of eligible employees may receive a safety achievement award during a taxable year.

Qualified vs. nonqualified plans

If an employer has a qualified plan, a written plan that does not discriminate in favor of highly compensated employees, the employer may provide awards greater in value than awards given under a nonqualified plan. For

qualified plans, the average cost of all awards (except those costing \$50 or less) may not exceed \$400. However, the employer may deduct up to \$1,600 for an individual award as long as the average of all awards does not exceed \$400. Under a nonqualified plan, the employer deduction is limited to \$400 per employee regardless of the average award.

Award value greater than deduction

If the value of the safety achievement or length of service award exceeds the business deduction limit, the excess amount must be included in the employee's income. The amount to be included is the greater of the difference between the employer's cost and the deduction limitation or the difference in the fair market value of the award and the deduction limitation. For instance, an employee receives an award that costs the employer \$500 (and has the same fair market value), but the deduction limitation is \$400, then the \$100 would be included in the employee's income.

Awards for civic and charitable work

An award for civic, charitable, religious, or educational achievement may be excluded from income in certain circumstances. The employee must not have solicited the award and must not be required to perform substantial future services because of the award. The employee should designate a governmental or charitable organization before the award is presented, or if the award is a surprise, return the award to the employer and make the designation. In either case, the employee may not use, or if in the form of money, spend, deposit, or invest, the award before it is donated to the designated organization.

Prizes for retail salespeople

Special rules exist for noncash awards given to retail salespeople who are ordinarily paid on commission. If an award is given for exceeding a sales quota or outselling fellow employees, the employer may elect not to withhold federal income tax from the award but remains responsible for social security, Medicare, and FUTA taxes. The employer must also include the value of the award as income on the salesperson's Form W-2. **APA**

Formulario 8955-SSA...

Does your retirement plan have participants who have separated from service and have deferred vested benefits? List them on Form 8955-SSA ([Resources](#)).



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

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What you should consider before taking a 401(k) plan loan

Your 401(k) plan may allow you to borrow from the plan. However, you should consider a few things before taking a plan loan.

If you don't repay the full amount of the loan, including interest, according to the loan's terms, the unpaid loan amount is a distribution to you from the plan. Your plan may even require you to repay the remaining amount of the loan in full if you stop working for the employer that is sponsoring the plan. Otherwise, the unpaid amount is considered a plan distribution to you.

Generally, you have to include any previously untaxed amount of the distribution in your gross income for the year in which the distribution occurs. You may also have to pay an additional 10 percent tax on the amount of the taxable distribution, unless you:

- are age 59 1/2 or older, or
- qualify for another [exception](#) to this additional 10 percent tax.

Any unpaid plan loan amount also means you will have less money saved for your retirement. Your 401(k) plan is designed so you can save money while working for your retirement. So, carefully consider all other alternatives before borrowing from your future.

Additional Resources:

- [Retirement Topics – Plan Loans](#) – information on the types of retirement plans that may allow loans, how long you may have to repay the loan and when you may need your spouse's consent for the loan.
- [Retirement Plans FAQs Regarding Loans](#) – questions and answers on the maximum amount you may borrow from a 401(k) plan, missed loan payments and tax consequences of not repaying the loan.
- [Retirement Topics - Tax on Early Distributions](#) – information on how and when early distributions from IRAs and retirement plans are taxed.
- [Publication 575, Pension and Annuity Income](#) – explains how retirement plan distributions are taxed, including the tax on early distributions and exceptions.

On Twitter? Send these tweets:

- Read this before taking a loan from your #retirement plan <http://go.usa.gov/383QA> #IRS
- Get information about different types of #retirement plans <http://go.usa.gov/383Uw> #IRS 

An opportunity to give and receive free tax help

As the IRS prepares for the 2016 filing season, there is an opportunity to give back to your community by volunteering to provide free tax return preparation service for taxpayers who qualify at Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites.

Volunteering with VITA and TCE programs is a rewarding way to make a difference. Last year, more than 90,000 volunteers helped more than 3.7 million taxpayers. These programs help seniors, persons with disabilities, low to moderate income earners, those for whom English isn't a primary language and others needing help with free tax return preparation.

With so many sites conveniently located in churches, community centers, libraries, and senior citizens centers across the country there's sure to be one near you. If you want to become a volunteer, or simply take advantage of the free services offered, this is ideal.

As a volunteer, you will receive free IRS training and can choose to be a greeter, a reviewer, a tax preparer

and more. The hours are flexible, and the time commitment is minimal. Anyone interested in this opportunity can [read more](#) about the programs and submit their personal via IRS.gov as directed on the Website.

To take advantage of the free tax help, you generally must make \$54,000 or less. The program provides free basic income tax return preparation and electronic filing to anyone who qualifies. At select tax sites, taxpayers can choose to prepare their own basic federal tax return for free using Web-based tax preparation software with an IRS-certified volunteer available to help guide them through the process.

If you or someone you know can benefit from this free tax prep service, please share the details with them. To learn more, visit the [VITA/TCE](#) page on IRS.gov. To locate the closest VITA or TCE site near you between January and April, you can use the [VITA Locator Tool](#) or call 800-906-9887. 

E-Verify resources bolster your onboarding process

All U.S. employers are required to complete the [Employment Eligibility Verification Form I-9](#) for every new hire. Over 600,000 employers also use [E-Verify](#), the U.S. Department of Homeland Security's web-based service that electronically verifies the information provided on the form. The E-Verify program offers a variety of tools and resources that can be useful to both you and your new employees during onboarding.

Resources for Employers

The [I-9 Central website](#) has answers to out-of-the ordinary questions about how to correctly complete the Form I-9. Also, there you will find the [Form I-9 Employer Handbook](#) and the [Form I-9 desktop widget](#), a downloadable tool that puts an online, fillable Form I-9 conveniently on your desktop.

The [E-Verify website](#) is chock full of [Manuals and Guides](#). It is your one-stop for [descriptions and schedules of free Form I-9 and E-Verify webinars](#). If you can't fit in a regularly scheduled webinar, you can take the [E-Verify Webinar on Demand](#) and view various [E-Verify videos](#) anytime. The [E-Verify website](#) is also home to English and foreign language versions of the latest [Further Action Notices](#), plus [Temporary Protected Status \(TPS\)](#) information and [Deferred Action for Childhood Arrivals Guidance for Employers](#).

Resources for Employees

When completing the Form I-9, employees may choose to enter their email address in the optional box in Section 1 of Form I-9, enabling USCIS to easily contact them with alerts or other notices. Many [Form I-9 and E-Verify resources](#) are available in [foreign languages](#) to assist employees with limited English skills. You may want to tell your new employees that DHS has resources for them. Even before reporting for their first day of work, they could benefit from the [Form I-9 Employee Information Sheet](#) and guidance on [How to Correct Your Immigration Records](#). The [Employee Rights Toolkit](#) educates employees about their rights and responsibilities in the employment eligibility verification process and the [Employee Rights Interactive Quiz](#) is a fast and fun way for them to test how much they know.

The new [myE-Verify website](#) is available in English and Spanish. Employers cannot require employees or jobseekers to use myE-Verify, but can make the information available to them. MyE-Verify features [Self Check](#), which empowers employees to see and correct their records that might cause an E-Verify mismatch. [Self Lock](#) lets workers concerned about identity theft lock their social security number, so no one else can use it in E-Verify. Soon, myE-Verify will add [two new features: Case History and Case Tracker](#). Case History shows workers where and when E-Verify queries have been initiated using their information. Case Tracker lets workers see the progress of the resolution of a tentative nonconfirmation.

Whatever your industry, or the size of your workforce, Form I-9 and E-Verify resources can improve the onboarding process for you and your employees. 