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Employment Tax Issues



5/23/2012



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Expanded Work Opportunity Tax Credit (WOTC)

VOW to Hire Heroes Act of 2011 -
Expanded the WOTC

Applies to businesses hiring eligible
unemployed veterans

NEW – Makes credit available to certain
tax-exempt organizations





WOTC

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Credit can be as high as \$9,600 for businesses or \$6,240 for qualified tax-exempt organizations

For qualified tax-exempt organizations – amount of credit cannot exceed employer Social Security tax

Certification Process





Claiming the WOTC Businesses

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Nonrefundable Tax Credit

Claimed as General Business Credit
against income tax

- Form 5884
- Form 3800
- Business Income Tax Return





Claiming WOTC Tax Exempt

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Credit limited to employer share of Social Security tax reported

File Form 5884-C after and separate from Form 941 (or other employment tax return)

Report Social Security tax on Form 941 and Schedule B as usual





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1120S Officers' Compensation

Continues to be a compliance issue

Situations where there are zero or very small wages paid to the officer yet significant distributable income

Officer performs significant services

Employment taxes reduced or eliminated

New case: Watson





Independent Contractor or Employee

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THREE CATEGORIES OF EVIDENCE

Behavioral Control: Instruction, evaluation, training

Financial Control: Investment, method of payment, ability to make a profit or incur a loss, services available to others

Relationship of the Parties: Written contract, permanency, integral part of business





Voluntary Classification

Settlement Program (VCSP)

Released 9/21/2011 as an IRS Fresh Start Initiative in Announcement 2011-64

Relief similar to CSP but for employers not under examination

Simple application and process

Audit protection for past years

Small payment of a little over 1% of compensation required

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VCSP Eligibility

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Eligible Businesses:

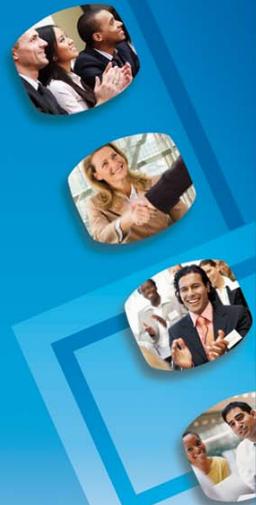
Must have consistently treated workers as nonemployees

Must have filed required Forms 1099 for nonemployees for previous three years

Cannot be under examination by IRS

Cannot be under examination by DOL or state regarding worker classification

Can be tax-exempt organization or government entity





VCSP Closing Agreement

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Taxpayer agrees to:

Prospectively treat a class or classes of workers as employees

Pay 10% of any employment taxes that may have been due on compensation paid to workers for the most recent tax year using IRC §3509(a) rates

Extend the period of limitations





W-2 Reporting - Cost of Employer Health Care Coverage

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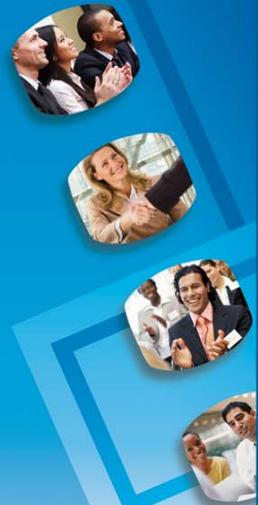
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Amounts reported not taxable

Optional for all employers for 2011

Mandatory for certain employers beginning 2012

Transitional relief may apply to small employers in 2012 (and only ends when further guidance is issued)





Form 1099-MISC Compliance

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KEY – Secure correct TIN right from the start – easy to say but...

Issue 1099's

IRS sends CP 2100 or CP 2100A for returns filed with missing or incorrect TINs

Payer may be required to backup withhold





What's New on IRS.gov

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Topic	Search Word(s)
Electronic newsletters (payroll providers, small businesses and tax professionals)	e-news subscribe
Multimedia center (audio, video and text)	multimedia
Social media (iTunes, podcasts, Twitter, widgets, YouTube and IRS2Go mobile app) *Follow IRS on Twitter @IRSTaxpros	social media
Video portal - Small business tax compliance priorities - Audit techniques guides - Referring tax avoidance schemes	video portal
Basic tools for tax professionals	basic tools
E-Services – Online tools for tax pros	eservice
Tax information for tax professionals Continuing education for tax professionals	information for tax professionals

