



HOWARD SIMON & ASSOCIATES

retirement plan administration
payroll solutions

2015 Year-End Planning Guide

Happy Holidays!

Notice of Confidentiality: This document contains confidential and proprietary information that is legally privileged and exempt from disclosure under law. The information is intended solely for the use of Howard Simon & Associates and HowardSimon, Inc. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or reliance on the contents of this document is strictly prohibited. If you have mistakenly received this document, please destroy it and notify us immediately by return mail or phone (847) 945-0340.

Copyright © 2007 Howard Simon & Associates, Inc. All Rights Reserved
Copyright © 2007 HS&A Payroll Services, Inc. All Rights Reserved

HowardSimon 2015 Year-End Guide

Dear Valued Client:

As always, we would like to extend our gratitude to all our long-time clients, as well as to those just joining us – Thank You and Happy Holidays! Enclosed is your 2015 year-end planning guide. Please take a moment to review it as it contains valuable information to help ensure a smooth year-end.

January 1st, 2016 Check Dates

As we have previously advised, January 1st, 2016 falls on a Friday and is also a Federal Reserve Holiday. Many companies have their default holiday setting in the payroll system set to automatically accelerate their check date in the event it falls on a holiday. In this case, that would mean that your check date would be moved from 2016 to December 31, 2015. **Please be advised that this may create an extra payroll process in 2015 for you.** Consult your payroll calendar to ensure that you are processing on your desired check date. If you wish to move your check date to January 4th, 2016 instead, please contact us as soon as possible. If you elect to restore your check date to January 1st, 2016, employees would still effectively receive their funds on January 4th, 2016.

The 2016 Calendar has 53 Fridays!

2016 has 53 Fridays. If your check date falls on a Friday, please pay special attention as you may have an additional check date in 2016. Also, note that one of these Fridays is January 1st, 2016 so please plan accordingly. The 2016 day counts are below.

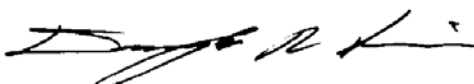
- Mondays 52
- Tuesdays 52
- Wednesdays 52
- Thursdays 52
- Fridays 53

Although you should read this guide in its entirety, below we have noted a few important items.

- **Tuesday, December 29th, 2015** or the last scheduled payroll day with a 2015 check date (whichever is earlier) is when we anticipate closing your 2015 payroll year. If you need to extend this cutoff for any reason, please contact us.
- Try to schedule any bonus or additional check runs now so that we can ensure tax deposits are timely.
- If you receive tax notices or 2016 rate change notices, please forward them to us immediately.
- If you anticipate receiving 3rd party sick pay reporting after the cutoff date of **Tuesday, December 29th, 2015**, please notify us. A failure to do so will result in incorrect filings.
- **SPECIAL NOTE:** You do not need to issue a W-2c to the employee for a Social Security Number, name, or address correction. See the "Corrected W-2s" section of this guide for more information.

As always, if you have any questions please do not hesitate to contact us. Happy Holidays and thank you for choosing HowardSimon!

Sincerely,



Douglas R. Simon
President

Table of Contents

General Guide Information 3

IRS Publication Quick Reference Guide 4

Important Information 5

Holiday Schedule 6

Client Review 7

Fourth Quarter Information 8

Year-End Processing 10

Social Security Number Verification Service (SSNVS) 12

“Kind of Employer” on Form W3 13

401(k) Participant Contributions and Loan Repayments 14

Supreme Court DOMA & Same-Sex Decision (Update) 15

Common Errors: FLSA Regular Rate of Pay 16

Independent Contractor vs. Employee 17

Healthcare Coverage Requirements for Employers 18

Employer Healthcare Coverage on Form W-2 20

Illinois Job Creation Tax Credit 22

Health Savings & Flexible Spending Arrangements (FSA) 23

FUTA Credit Reduction 24

Minimum Wage Changes 25

Fringe Benefits 29

Labor Law Posters 34

Record Retention 35

Happy New Year! 36

General Guide Information

This guide has been created to help you prepare for the upcoming year-end. Please read it in its entirety and be sure to complete all tasks by the cutoff date of **Tuesday, December 29th, 2015**. This guide uses symbols to designate information that is particularly important.



The target indicates a helpful hint. Heeding this advice will save you time and effort!



The notepad indicates a task that must be completed before year-end processing can occur.



The dynamite indicates a warning. Ignoring this advice would be very harmful to your payroll processing!



New sticky note indicates a new item resulting from all of the recent changes to our tax laws in 2015.

IRS Publication Quick Reference Guide

The majority of the tax compliance information found in this guide has been provided by the IRS web site. Specific publications and links are detailed below and throughout the presentation.

- Publication 15: (Circular E), Employer's Tax Guide
<http://www.irs.gov/pub/irs-pdf/p15.pdf>
- Publication 15-A: Employer's Supplemental Tax Guide
<http://www.irs.gov/pub/irs-pdf/p15a.pdf>
- Publication 15-B: Employers Guide to Fringe Benefits
<http://www.irs.gov/pub/irs-pdf/p15b.pdf>
- Publication 463: Travel, Entertainment, Gift, and Car Expenses
<http://www.irs.gov/pub/irs-pdf/p463.pdf>
- Publication 509: Tax Calendars
<http://www.irs.gov/pub/irs-pdf/p509.pdf>
- Complete Publication List
<http://www.irs.gov/publications/index.html>



Important Information

Year-End Billing

Your year-end billing will be automatically included on your first invoice in February of 2016. If this presents a problem for you, please contact us to arrange an alternate schedule.

W-2 Sort Order

Your W-2s will be sorted in alphabetical order unless you have requested a special sort order in the past. If this creates any undue hardship for you, please do not hesitate to contact us to discuss alternatives.

Contact Information

In addition to the direct extensions of your dedicated support team, you may use the methods listed below to contact our offices.

-Email

Please use the email address support@hsimon.com for time sensitive email correspondence. This address delivers the email to multiple people, ensuring that your email is received and read, even if a member of our team is out of the office.

-Fax

The payroll department has a fax machine that is located in our processing area. While 847-940-8500 is the general office fax, **847-945-3460** is routed directly to our processing area, allowing us to respond more quickly to your requests.

Security

To ensure your confidentiality, **HowardSimon** only discusses your payroll with authorized contacts. If an individual calls and they are not an authorized contact, no payroll information will be divulged, even if the individual calling is an officer of the company. Please ensure that you have the appropriate people listed as authorized contacts. The HowardSimon client service team will be happy to update this list for you if any changes are required.

Limits and Updates

<http://www.hsimon.com/information-center.html>

Description	2016	2015	2014
Social Security			
Taxable Wages	\$118,500	\$118,500	\$117,000
Retirement Plans			
Annual Compensation Limit	\$265,000	\$265,000	\$260,000
401(k), 403(b), 457(b) elective deferrals	\$18,000	\$18,000	\$17,500
401(k), 403(b), 457(b) catch-up	\$6,000	\$6,000	\$5,500

A complete historical listing can be found at: http://www.hsimon.com/pdfs/COLA_INCREASE_TABLES.pdf



Holiday Schedule

Our offices will be closed **December 25th, 2015** and **January 1st, 2016** due to the holidays. If this schedule creates any inconvenience for you, please do not hesitate to contact us for alternative scheduling arrangements. Our holiday schedule can be found on our web site in the *Information Center* => *Holiday Schedule* section (<http://www.hsimon.com/holiday.html>).

Payroll Transmission Schedule

If this schedule causes you any undue hardship, please contact us for alternative scheduling arrangements. If you intend to move a check date, please also plan to move your transmission date. This will allow us sufficient time to properly process your payrolls. Our processing schedule for the holidays is as follows:

- **December 24th** - Our offices will be closing at **3:00 PM**. Payrolls transmitted by **12:00 p.m.** on this day will be available through your normal delivery method on **December 28th**.
- **December 25th** - Our offices will be closed. If you were planning on transmitting this day, please be prepared to transmit on **December 24th** or **December 28th**.
- **December 31th** - Our offices will be closing at **3:00 PM**. Payrolls transmitted by **12:00 p.m.** on this day will be available through your normal delivery method on **January 4th**.
- **January 1st** - Our offices will be closed. If you were planning on transmitting this day, please be prepared to transmit on **December 31th** or **January 4th**.
- **Special Note: Friday December 25th and January 1st** - Our offices will be closed. Please note that this year Christmas and New Year's both fall on Fridays. If you typically have a Friday payroll date please pay special attention to the calendar.

Direct Deposit

Christmas Day and New Year's Day are Federal Reserve Holidays; no direct deposits can settle or be initiated on these days.

December 25th: No direct deposits can settle or be initiated. Direct deposits scheduled for **December 28th** must be initiated by **December 24th** at the latest, but we recommend **December 23th** allowing for the 48 hour clearing period.

January 1st: No direct deposits can settle or be initiated. Direct deposits scheduled to settle on **January 4th** must be initiated by **December 31st** at the latest, but we recommend **December 30th** allowing for the 48 hour clearing period.

A full listing of the Federal Reserve holidays can be found on our web site (<http://www.hsimon.com> → [Information Center](#)) in the *Holiday Schedule* section.

Payroll Delivery

For clients utilizing Federal Express: FedEx has traditionally provided timely service through the Holiday season (weather permitting). **However**, if you are concerned about Federal Express' ability to deliver your payroll promptly during this busy time, you may want to consider moving your processing date forward one day. Additionally, we can arrange an alternative delivery method. Federal Express' holiday policy can be found at <http://www.fedex.com/us/holiday/shipping/holidayschedule.html>, or through our information center at <http://www.hsimon.com> → [Information Center](#)



Client Review

The reports listed below are designed to aid you in your year-end preparation. All of the reports are available to be printed directly through the system. Any changes must be made by your last payroll processing date of the year.

W-2 Verification / W-2 Edit Report

Please ensure that all of your employee information is correct. For example, terminated employees should be marked terminated, employee addresses should be verified, etc. If you require any additional information to make these adjustments, please do not hesitate to contact us.

Census Preparation Report

If we are preparing a year-end census on your behalf, please correct any errors listed on the report. If these errors are not corrected, your census will not be generated correctly. If year-end deadlines prohibit you from entering this data in a timely manner, fax back the census report with corrections. We will make the corrections on your behalf.

Exempt W-4 Status

In the past, if you had individuals claiming more than 10 allowances on their Federal Form W-4, you were required to file copies of the form with your Federal 941. **This is no longer a requirement.**



Check Date Verification Report

With all payrolls processed from now until the end of the year, you will be receiving year-end information with every payroll. This information will be contained on the "Check Date Verification and Notices" report, typically located on the 2nd page of your reporting package. This information is very important for you to review to ensure that we have the desired configuration for your year-end processing. This information includes (but is not limited to):

Next Check Date	Third Party Sick Pay Set-up	Group Term Life Configuration
Next Pay Period	Health Care Reporting Requirements	Kind of Employer Reporting
W-2 Code Set-ups	FUTA Reduction Estimates	IRS Disclosures



Fourth Quarter Information

Forward All Rate Change Notices Immediately

In order to ensure prompt and accurate processing of your payroll, it is imperative that you forward all tax correspondence that you receive to us immediately upon receipt. You may either email the notices to tax@hsimon.com, or fax them to us at **847-945-3460**.

-State Unemployment Rates For 2016

State unemployment insurance rates for 2016 will be sent out very soon. Updated rates are required to accurately calculate your state unemployment insurance tax. In most cases, we have requested to have your state unemployment rate sent directly to our offices. However, the state sometimes sends them directly to the taxpayer. Please mail or fax us a copy of any notice you receive for our records. Failure to provide us with new unemployment rates will result in incorrect tax filings. If a third party is handling your unemployment, please ensure that they forward these notices to us.

-Any Additional Notices

Please immediately forward any additional tax notices that you receive. These notices may impact the processing of your payroll and tax filings.

Fourth Quarter Processing Cutoff Date

The cutoff date for clients to report changes to their payroll is **Tuesday, December 29th, 2015**, or the last day a payroll with a 2015 check date is scheduled, **whichever is earlier**. Avoid processing delays by reporting all adjustments prior to **Tuesday, December 29th, 2015**. Failure to comply with these dates may result in corrections to your W-2s, tax filings and census generation if we have already processed your year-end. If corrections are required, additional fees will apply.

-Voiding Checks after the Cutoff Date

Voiding checks after the cutoff date of **Tuesday, December 29th, 2015** will mean that corrections for W-2s and tax filings will be required. Please be sure to void any checks in the system prior to the cutoff date of **Tuesday, December 29th, 2015**.

Unclaimed Property

Currently, we take no action on your unclaimed property unless specifically asked to do so. Unclaimed and un-cashed checks are **NOT** to be voided and are subject to your state's unclaimed property laws. Some states, such as Illinois, consider wages abandoned after only 1 year. If you issue checks from HowardSimon accounts, you should be receiving an "Uncleared Items" report with each payroll that will allow you to address these issues. If you are not receiving this report, please contact us.

Year-End Stuffers

If you require handouts or distributions to employees, we would be happy to stuff them in separate envelopes for distribution. The fees for this service will be \$20 plus \$0.25 per item.

Processing Bonus Payrolls

Bonus checks can be processed with your regular payroll. To issue bonus checks with an alternate check date, please notify us immediately so that this date may be added to your processing schedule.

-Taxation for Bonus Payrolls

Federal regulations state that there is no discretionary taxation for bonus checks. You may calculate federal tax on a bonus check using either the Supplemental Federal Tax Rate (25%) or by letting the system calculate the taxes as you would a standard paycheck. By default, the system will use standard taxation unless the supplemental rate is specifically requested.

-Definition

Supplemental wages are wage payments to an employee that are not regular wages. These include, but are not limited to: bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay increases, and payments for non-deductible moving expenses. See this IRS link for more details:

https://www.irs.gov/publications/p15/ar02.html#en_US_2015_publink1000202352

-401k

Most supplemental payments ARE subject to 401(k), unless they are excluded by your plan document. Check with your 401k provider if you have questions regarding your specific plan.

-Supplemental Wages in Excess of \$1,000,000

When supplemental wages for the calendar year exceed \$1,000,000, the excess is subject to withholding at 39.6%. If this situation applies to your payroll, please contact your customer service representative.

-State Regulations

Be sure to verify the applicable state regulations, as they may differ from federal regulations.



-Tips for Bonus Payrolls

For clients who administer their payroll directly using the HowardSimon system, click the **Override** button (on the *Payroll Detail* screen) or view the detail at the bottom of the screen to verify your deductions, earnings, taxes and direct deposits whenever you alter the check properties! Additionally, please note that not all 401(k) plans allow you to block 401(k) deductions on bonus checks. Contact your plan administrator for more information on this subject.

- Use the Override button on the Payroll Detail screen to override any check characteristics.
- To increase tax withholding, on the Payroll Detail screen add TFITW tab to override Federal taxes, TIL (or the appropriate state) to override Illinois state taxes, etc.
- Never override Social Security or Medicare tax! You will be getting a call from us if you do!
- Tax overrides affect the entire paycheck; they cannot be applied to specific pay items.
- To add a second check for an individual, simply click the "New Paycheck" button on the Payroll Detail screen.



Year-End Processing

W-2s

Employer and employee copies of the W-2s will be sent to you with your year-end tax filings. Electronic copies of your employer and/or employee W-2s are available at your request.

-Distribution

We will provide employee copies of W-2s in our pressure seal format. It is the employer's responsibility to ensure that these W-2s are delivered to the employee, or postmarked by February 1, 2016. If a W-2 is returned to you by the postal service, we recommend you retain the post marked envelope for 4 years as proof of delivery.

-Inquiries

Please note: we will only respond to your authorized payroll personnel regarding W-2 or general payroll inquiries.

-Re-Issuing W-2s

If an employee loses a W-2 statement and wishes to have one re-issued, you may re-issue copies yourselves from the materials provided. Simply print or copy the W-2 and write "Re-Issue" on it. If you require an official re-issue, please contact your customer service representative.

-Corrected W-2s

If a corrected W-2 is needed for any reason, please e-mail us your employer W-2 copy with the desired corrections. You do **NOT** need to issue a W-2c for a Social Security Number, name or address corrections.

- IRS Instructions - Name and/or SSN on W-2: "If you are correcting only an employee's name and/or SSN ... advise your employee to correct the SSN and/or name on his or her original Form W-2."
- IRS Instructions – Incorrect Address on W-2: "If you filed a Form W-2 with the SSA that reported an incorrect address for the employee, but all other information on the Form W-2 was correct, do not file Form W-2c with the SSA merely to correct the address."

If this situation applies to you, update the payroll system with the corrected information and advise your employees accordingly. Please notify your representative as well to ensure the correct information is filed with the Social Security Administration.

Federal Reporting

The IRS requires some employers to file the form W-2 electronically. HowardSimon automatically files all employer Federal W-2 information electronically with the Social Security Administration. You will receive your employer and employee copies of Form W-2 on paper.

1099 Miscellaneous

If you would like us to issue your 1099MISC forms, please be sure to notify us. Issued forms will be included with your year-end package. If you have 1099s that are not currently in the system, please ensure they are entered by the cutoff date of **Tuesday, December 29th, 2015**.

Reporting Third Party Sick Pay

By law, insurance companies have until **January 15, 2016**, to report to you any insurance benefits paid to employees during 2015. Should you receive notification of such payment after reporting your last payroll for the year, please contact us immediately. If you are anticipating late notification of such benefits, please notify us before the cutoff date of **Tuesday, December 29th, 2015**. Please verify the configuration on the W-2 Verification Report to confirm if HS&A is issuing the W-2 for the third party sick pay or not.



Social Security Number Verification Service (SSNVS)

“The Social Security Number Verification Service (SSNVS) is one of the services offered by Social Security Administration's (SSA) Business Services Online (BSO). It allows registered users (employers and certain third-party submitters) to verify the names and Social Security Numbers (SSNs) of employees against SSA records.”

- It is illegal to use the service to verify SSNs of potential new hires or contractors or in the preparation of tax returns.
- It is appropriate to use SSNVS only once an official employer-employee relationship has been established.
- SSNVS Handbook: <http://www.ssa.gov/employer/ssnvshandbk/ssnvsHandbook.pdf>
- 2016 Wages Base will be \$118,500: <http://www.ssa.gov/OACT/COLA/cbbdet.html>

SSNVS and Reasonable Cause

Publication 1586 provides important information on establishing reasonable cause to abate penalties related to incorrect SSNs.

- What is most important for establishing reasonable cause in connection with Form W-2 penalty provisions?



The solicitation of the employee's correct SSN on the Form W-4 and the use of that number on the Form W-2 are the most important.


- What should an employer do if they receive information from SSA's SSNVS or EVS system that an employee has an SSN mismatch?

Responses received through the SSNVS or EVS system are not considered IRS notices and therefore do not directly enter into the determination of reasonable cause for waiving penalties. The employer is not required to solicit a new SSN from the employee, but may wish to do so.

- Publication 1586 Reasonable Cause Regulations & Requirements for Missing and Incorrect Name/TINs: <http://www.irs.gov/pub/irs-pdf/p1586.pdf>

“Kind of Employer” on Form W3

“To improve document matching compliance, box b of the 2012 (and future forms) Form W-3 has been expanded to include a new section.” Unless we have specific information confirming otherwise, we will be defaulting employers to “None apply”. Please email tax@hsimon.com if you believe that your company should not be defaulted to “None apply”. Your current setting is displayed on the W-2 verification report included with your payroll.

Kind of Employer (Check one)		None apply	501c non-govt.	
		<input type="checkbox"/>	<input type="checkbox"/>	
		State/local non-501c	State/local 501c	Federal govt.
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- **None apply.** Check this box if none of the checkboxes below apply to you.
- **501c non-govt.** Check this box if you are a non-governmental tax-exempt section 501(c) organization.
- **State/local non-501c.** Check this box if you are a state or local state/local non-501c. Check this box if you are a state or local organization.
- **State/local 501c.** Check this box if you are a dual status state or local government or instrumentality that is also a tax-exempt section 501(c) organization.
- **Federal govt.** Check this box if you are a Federal government entity or instrumentality.
- <http://www.irs.gov/pub/irs-pdf/iw2w3.pdf>

401(k) Participant Contributions and Loan Repayments

For those clients who have a qualified 401(k) plan, per the Department of Labor regulations, all plan contributions and loan repayments which have been deducted from the compensation of plan participants must be deposited to the plan by the earlier of:

- The earliest date which the contributions and loan repayments can be reasonably segregated from the employer's assets, or
- The seventh business day following the end of the payroll period during which the amounts were withheld.

HowardSimon complies with the timely plan deposit regulations with respect to any payroll-based contributions and participant loan repayments.

Supreme Court DOMA & Same-Sex Decision (Update)

On June 26, 2015, the U.S. Supreme Court issued its decision in Obergefell v. Hodges, ruling that the 14th Amendment requires all states (and the District of Columbia and U.S. territories) to recognize same-sex marriage. The ruling also requires states to recognize same-sex marriages lawfully performed in another state. As a result, there is now full equality between same-sex and opposite-sex spouses under both federal and state law.

Domestic partnerships, civil unions, or other relationships that are not treated as a “marriage” under state law are not covered by this ruling.

When the Supreme Court made the Windsor decision in 2014 the IRS offered guidance on applying benefits retroactively (<https://www.irs.gov/pub/irs-drop/n-14-19.pdf>) in relation to qualified retirement plans. To date, no additional guidance has been issued.

It is our recommendation that plan sponsors remind employees to review their beneficiary designations on a recurring basis to ensure they are accurate and up to date. Additionally, for those employers who offer domestic partner benefits, they may want to evaluate those policies to see if they are still valid under the new ruling.

For “Answers to Frequently Asked Questions for Individuals of the Same Sex Who are Married Under State Law” from the IRS <http://www.irs.gov/uac/Answers-to-Frequently-Asked-Questions-for-Same-Sex-Married-Couples>

Common Errors: FLSA Regular Rate of Pay

We have noticed a common error in industry and have taken a moment to provide some background and context for overtime calculations. You **must** use the “Regular Rate of Pay” when calculating the overtime premium portion of pay.

- Unless required by your state, for non-exempt employees overtime premium must be paid on hours worked in excess of 40 in a work week.
- There are typically no unique issues when computing overtime for employees that are paid at a single rate and do not receive any additional income or payments other than their hourly pay.
- Non-Exempt employees that receive pay at multiple rates or additional amounts require special calculations.
- The **Regular Rate of Pay** is the **TOTAL** pay received for the period divided by the total hours worked.

FLSA Regular Rate of Pay Example <http://www.dol.gov/compliance/topics/wages-overtime-pay.htm>

Regular Rate of Pay Example			
Data	Wages	Overtime Premium	
Total Hours	48	\$9.21 * .5	\$4.61
Hourly Rate	\$9.00	Overtime Due: \$4.61 * 8	\$36.88
Bonus Paid	\$10.00		
Regular Pay Calculation		Total Pay	
48 Hours * \$9.00	\$432.00	Regular Earnings	\$442.00
Bonus	\$10.00	Overtime Earnings	\$36.88
Total Regular Earnings	\$442.00	Total	\$478.88
Regular Rate Of Pay			
\$442 / 48 Hours	\$9.21		

Independent Contractor vs. Employee



From the IRS:

"It is critical that business owners correctly determine whether the individuals providing services are employees or independent contractors."

When in doubt, issue a W-2.

Independent Contractor vs. Employee Determination Factors

-Behavioral

Does the company control or have the right to control what the worker does and how the worker does his or her job?

-Financial

Are the business aspects of the worker's job controlled by the payer? (this may include things like how the worker is paid, whether expenses are reimbursed, who provides tools/supplies, etc.)

-Type of Relationship

Are there written contracts or employee type benefits (i.e. pension plan, insurance, vacation pay, etc.)?
Will the relationship continue and is the work performed a key aspect of the business?

-Need Help?

Complete an SS-8 and the IRS will make a determination for you. <http://www.irs.gov/pub/irs-pdf/fss8.pdf>



NEW

Healthcare Coverage Requirements for Employers

Don't worry, we have you covered! HowardSimon will handle all of your ACA reporting needs.

While most employers remain overwhelmed regarding the Affordable Care Act (ACA), clients of *HowardSimon* can relax knowing our experts are addressing ACA requirements on your behalf. Our dedicated team remains current on regulations and continuously implements new procedures to minimize the workload on our clients. *HowardSimon* is committed to managing the complex challenges facing our clients regarding the Affordable Care Act.

From the IRS:

"Some of the provisions of the Affordable Care Act, or health care law, apply only to large employers, generally those with 50 or more full-time equivalent employees. For example, in 2015 large employers will have annual reporting responsibilities concerning whether and what health insurance they offered to their full-time employees."

Effective calendar year 2015, large employers must offer group healthcare coverage to employees based on provisions of the Affordable Care Act (ACA); failure to do so may result in penalties. **The criteria outlined by the ACA focuses primarily on employees being able to obtain affordable, minimum essential coverage through an employer plan.**

Employers should determine if their company qualifies as an applicable large employer. Large employers may be required to adhere to the following:

- Employers must file an annual return reporting whether health insurance is offered to employees and if so, what insurance is offered to (not selected by) the employee.
- If an employer provides self-insured health coverage to employees, the employer must file an annual return reporting certain information for each employee covered.
- Employers may have to make a payment if the employer does not offer adequate, affordable coverage to full-time employees, and one or more of those employees receives a Premium Tax Credit.

Who Must File Form 1094-C and 1095-C

Applicable large employers (ALE) are now required to file Form 1094-C and Form 1095-C. An ALE is a single entity or a group of related entities (such as parent and subsidiary or other affiliated entities) with 50 or more full-time employees, including full-time equivalent employees, on business days during the preceding calendar year. Don't worry about struggling to determine if your business is an ALE - we will help you.

Our clients do not need to worry about the ACA's new employer reporting requirements - *HowardSimon* will file Form 1094-C and Form 1095-C on your behalf (please note annual fees apply).

What Should You Do?

You should be in receipt of our emails containing on-going updates about what to do and how to do it in the payroll system. If you have not received these emails, please contact us immediately and see the links below.

-Payroll classification

To ensure accurate filing, employers must keep employee information up to date within the payroll system. The first step in the process is to classify employees. Detailed instructions on how to update

employee information in the payroll system can be found on our website in the ACA compliance section under “Materials for Clients”: http://www.hsimon.com/pdfs/ACA_Status_in_the_Payroll_System.pdf

-Data Collection

Additionally, *HowardSimon* has a brief survey we have asked all of our payroll clients to complete. If you have not completed the survey yet, please go to the following link:

<http://www.hsimon.com/acasurvey.html>

-Resources

Employers can find out more information regarding the Affordable Care Act requirements by visiting:

- <http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Employers>
- [HowardSimon’s Employer Shared Responsibility Guide](#)

Articles: click below or online at: <http://www.hsimon.com/healthcare-reform.html>

- [Relief Ended for Small Employers Paying Workers Insurance Premiums](#)
- [EEOC Proposes Long-Awaited Wellness Program Regulations](#)
- [FAQs Address Required Preventive Services Under the ACA](#)
- [Reviewing the Final Regulations for the ACA’s SBC Requirement](#)
- [Can We Deny Coverage to Dependents Eligible Under Another Plan?](#)
- [High-Deductible Health Plans May Be on the Rise Again](#)
- [Do HIPAA Portability and ACA Rules Apply to Our Dental Benefits?](#)
- [Health Care Reform: HDHPs, SBC Regs and Dental Benefits](#)
- [Must Self-Insured Plans Provide Essential Health Benefits?](#)

Employer Healthcare Coverage on Form W-2



Reporting to employees of the cost of their sponsored health coverage

“This informational reporting is required under § 6051(a)(14) of the IRS Code, enacted as part of the Affordable Care Act to provide useful and comparable consumer information to employees on the cost of their health care coverage.”

- This regulation took effect for 2012 forms W-2.
- This reporting to employees is for their information only, to inform them of the cost of their health care coverage, and does not cause excludable employer-provided health care coverage to become taxable.
- Employers were not required to report the cost of health coverage on any forms required to be furnished to employees prior to January 2014.
- Currently, only employers that were required to file more than 250 2014 Forms W-2 will be required to report the cost of health coverage on the 2015 Form W-2.



We anticipate the regulations on this to continue evolving over the next year. However, below is the interim guidance that has been issued.

- The aggregate reportable cost is reported on Form W-2 in box 12, using code DD.
- An employer may apply any reasonable method of reporting the cost of coverage provided under a group health plan for an employee who terminated employment during the calendar year, provided that the method is used consistently for all employees receiving coverage under that plan who terminate employment during the plan year.
- The aggregate cost of applicable employer-sponsored coverage is the total cost of coverage under all applicable employer-sponsored coverage provided to the employee.
- Additional IRS Information can be found at:
 - <http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Employers>
 - <http://www.irs.gov/pub/irs-drop/n-13-45.pdf>

To comply with these requirements, a memo deduction code has been added to your company called “ERMedical – Total Health Care Cost Memo”. Any value entered in this memo deduction code will display on the form W-2 in box 12DD. You may enter the desired amount directly onto an employee’s paycheck (without affecting pay) using the deduction code.

Code	Description	Hours	Rate	Amount	D
EReg	Regular Payroll Earnings	0.00	0.00	1200.00	
EERMed	Employer Medical Contribution	0.00	0.00	500.00	
		0.00	0.00	0.00	

Alternatively, you may send us a spreadsheet containing the information below and we will import the data. If you intend to import the data, please coordinate the timing with us.

IMPORT FILE FORMAT:

ID	ERMedical AMOUNT
10025	\$300

The IRS has released details on how to calculate the cost of health care for the employee. Please see their website for any additional details and guidance:

<http://www.irs.gov/newsroom/article/0,,id=220809,00.html?portlet=6>.

You may also contact tax@hsimon.com with any questions or concerns.



Illinois Job Creation Tax Credit

This tax credit has been extended for small business owners as an extra boost to grow their business over the next year. Current legislation has the extended lasting from July 1, 2012 to June 30, 2016. After creating one or more new, full-time positions that meet the eligibility requirements, small businesses can register to receive a \$2,500 per job tax credit.

- What businesses are eligible for this tax credit? There are two categories of businesses eligible to receive this credit:
 - Small businesses with 50 or fewer total employees on June 30, 2012. The determination of whether an employer has 50 or fewer employees on June 30, 2012, includes all employees in every location, which includes both in Illinois and out of state employment totals.
 - Any-sized business that hires a 2010 "Put Illinois to Work Program" worker-trainee.
- Calculation of the net increase in the number of Illinois employees is based on the employer's number of Illinois employees as of June 30, 2012. If the business hires 10 new people but lays off 12, it wouldn't receive any credits.
- More Information at: <http://jobstaxcredit.illinois.gov/>

Health Savings & Flexible Spending Arrangements (FSA)

Health Savings Accounts

A Health Savings Account (HSA) is an account owned by a qualified individual who is generally your employee or former employee. A qualified individual must be covered by a High Deductible Health Plan (HDHP) and not be covered by other health insurance except for permitted insurance listed under section 223(c)(3) or insurance for accidents, disability, dental care, vision care, or long-term care.

-Plan Limits

For calendar year 2016, a qualifying HDHP must have a deductible of at least **\$1,300** for self-only coverage or **\$2,600** for family coverage and must limit annual out-of-pocket expenses of the beneficiary to **\$6,550** for self-only coverage and **\$13,100** for family coverage.

-Contribution Limits

For 2016, if you have self-only HDHP coverage, you can contribute up to **\$3,350**. If you have family HDHP coverage you can contribute up to **\$6,750**.

-Partnerships and S Corporations

Partners and 2% shareholders of an S corporation are not eligible for salary reduction (pre-tax) contributions to a Health Savings Account. Employer contributions to the Health Savings Account of a bona fide partner or 2% shareholder are treated as distributions or guaranteed payments as determined by the facts and circumstances.

See Publication 969, Health Savings Accounts: <http://www.irs.gov/publications/p969/ar02.html>

Health Flexible Spending Accounts (FSA)

The 2016 limit on Health Flexible Spending Accounts (FSAs) under the Patient Protection and Affordable Care act is set at **\$2,550**. This is a new requirement starting in 2014; previously there was no limit on health care FSAs, but typically plans enforced a \$5,000 limit.

-IRS Announces Modification to the “use-or-lose” Rule

The Internal Revenue Service (IRS) have updated guidance changing the long standing “use-or-lose” rule governing Health Flexible Spending Accounts (FSAs) permitting carryover of up to \$500 of unused health FSA balances at the end of a plan year.

Highlights of the guidance include the following:

- Carryover of up to \$500 is now allowed for health FSAs from one year to the next year
- Any unused amount in excess of \$500 at the end of the plan year is forfeited.
- A cafeteria plan adopting the carryover provision is not permitted to provide a grace period, which generally allowed payment for expenses incurred within 2 ½ months of the end of the plan year with respect to health FSAs.
- Cafeteria plans must be amended to adopt the carryover provision and remove the grace period rule, if applicable.
- For a plan year beginning in 2014, an amendment including the carryover provision may be adopted on or before the last day of the plan year that begins in 2015.

See IRS Notice 2014-71 on the Modification of Use-Or –Lose for Health Flexible Spending Arrangements at <http://www.irs.gov/pub/irs-drop/n-13-71.pdf>

FUTA Credit Reduction

A state is a credit reduction state if it has taken loans from the federal government to meet its state unemployment benefits liabilities and has not repaid the loans within the allowable time frame. A reduction in the usual credit against the full FUTA tax rate means that employers paying wages subject to UI tax in those states will owe a greater amount of tax. The regular FUTA tax rate is 6.0%. Generally, employers may receive a credit of 5.4% when they file their Form 940 (PDF), Employer's Annual Federal Unemployment (FUTA) Tax Return, to result in a net FUTA tax rate of 0.6% (6.0% - 5.4% = 0.6%). Employers in credit reduction states will owe additional FUTA tax calculated by multiplying FUTA taxable wages allocated to that state by the applicable rate. In 2015, if a Connecticut employee was paid \$7,000 in wages, the employer will owe FUTA tax of \$147 versus \$42 for non-credit reduction states ($7,000 * 2.1% = \$147$).

If you have employees in a state with a credit reduction, HS&A will provide an estimate of the additional tax due on the HSA Verification Report included in your December payrolls. We will also send an email with the actual liability and funding transfer date in January.

IRS Information can be found at <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/FUTA-Credit-Reduction>

Below are the states and territories impacted in 2015:

State	Credit Reduction
California	1.5%
Connecticut	2.1%
Ohio	1.5%
Virgin Islands	1.5%

Minimum Wage Changes

There are numerous states changing their minimum wage rates for 2016. Additional rate changes may go into effect due to pending legislation in some states. Below is the table published by the National Conference of State Legislatures and can be found at: <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>. Please note – many cities and townships have additional minimum wage restrictions that supersede the state wage – see note on Chicago below.

Rates are effective January 1, 2016 unless otherwise noted. Minimum hourly wages for tipped employees by State can be found on the Department of Labor’s website at <http://www.dol.gov/whd/state/tipped.htm>. Special exceptions may apply for specially designated categories of employees, please consult your state website for additional information.

State	Current Minimum Wage	Future Enacted Increases	Indexed Automatic Annual Adjustments
Alabama	none		
Alaska	\$8.75	\$9.75 eff. 1-1-16	Indexed annual increases begin Jan. 1, 2017. (2014 ballot measure)
American Samoa	varies ¹		
Arizona	\$8.05		Rate increased annually based on cost of living. (Ballot measure 2006)
Arkansas	\$7.50	\$8.00 eff. 1-1-16 \$8.50 eff. 1-1-17	
California	\$9.00	\$10.00 eff. 1-1-16	
Colorado	\$8.23		Rate increased or decreased annually based on cost of living (Constitutional amendment 2006)
Connecticut	\$9.15 ²	\$9.60 eff. 1-1-16 \$10.10 eff. 1-1-17	
Delaware	\$8.25		
D.C.	\$10.50 ³	\$11.50 eff. 7-1-16	Indexed increases begin July 1, 2017 (2014 legislation)
Florida	\$8.05		Annual increase based cost of living. (Constitutional amendment 2004)
Georgia	\$5.15 (see notes below)		
Guam	\$8.25		
Hawaii	\$7.75	\$8.50 eff. 1/1/16 \$9.25 eff. 1/1/17 \$10.10 eff. 1/1/18	
Idaho	\$7.25		

Illinois	\$8.25		
Indiana	\$7.25		
Iowa	\$7.25		
Kansas	\$7.25		
Kentucky	\$7.25		
Louisiana	none		
Maine	\$7.50 ⁴		
Maryland	\$8.25	\$8.75 eff. 7-1-16 \$9.25 eff. 7-1-17 \$10.10 eff. 7-1-18	
Massachusetts	\$9.00 ⁵	\$10.00 eff. 1-1-16 \$11.00 eff. 1-1-17	
Michigan	\$8.15	\$8.50 eff. 1-1-16 \$8.90 eff. 1-1-17 \$9.25 eff. 1-1-18	Annual increases take effect Jan. 1, 2019, linked to the CPI. Increases not to exceed 3.5%. (2014 Legislation)
Minnesota	\$9.00/\$7.25 ⁶	Large Employers: \$9.50 eff. 8-1-16 Small Employers: \$7.75 eff. 8-1-16	Indexed annual increases begin Jan. 1, 2018. (2014 legislation)
Mississippi	none		
Missouri	\$7.65 ⁷		Minimum wage increased or decreased by cost of living starting Jan. 1, 2008. (2006 ballot measure)
Montana	\$8.05/\$4.00 ⁸		Increases done annually based on the CPI and effective Jan. 1 of the following year. (2006 ballot measure)
Nebraska	\$8.00	\$9.00 eff. 1-1-16	
Nevada	\$8.25/\$7.25 ⁹		Increases subject to the federal minimum wage and consumer price index. Increases take effect July 1. (Constitutional amendment 2004/2006).
New Hampshire	repealed by HB 133 (2011)		
New Jersey	\$8.38		Indexed annual increases based on the CPI, effective Jan. 1, 2014. (Constitutional Amendment 2013)
New Mexico	\$7.50		
New York	\$8.75	\$9.00 eff. 12-31-15	

North Carolina	\$7.25		
North Dakota	\$7.25		
Ohio	\$8.10/\$7.25 ¹⁰		Indexed annual increases based on the CPI. (Constitutional amendment 2006)
Oklahoma	\$7.25/\$2.00 ¹¹		
Oregon	\$9.25		Indexed annual increases based on the CPI, rounded to the nearest five cents. (ballot measure 2002)
Pennsylvania	\$7.25		
Puerto Rico	\$7.25/\$5.08 ¹²		
Rhode Island	\$9.00	\$9.60 eff. 1-1-16	
South Carolina	none		
South Dakota	\$8.50		Annual indexed increases begin Jan. 1, 2016. (2014 ballot measure.)
Tennessee	none		
Texas	\$7.25		
Utah	\$7.25		
Vermont	\$9.15	\$9.60 eff. 1-1-16 \$10.00 eff. 1-1-17 \$10.50 eff. 1-1-18	Beginning Jan. 1, 2019, minimum wage increased annually by 5% or the CPI, whichever is smaller; it cannot decrease. Note: Vermont started indexing in 2007. (2014 legislation)
Virgin Islands	\$7.25/\$4.30 ¹³		
Virginia	\$7.25		
Washington	\$9.47		Annual indexed increases began Jan. 1, 2001. (ballot measure 1998)
West Virginia	\$8.00	\$8.75 eff. 12-31-15	
Wisconsin	\$7.25		
Wyoming	\$5.15		

-Notes

¹American Samoa: The Fair Minimum Wage Act of 2007 (Public Law 110-28) sets minimum wage rates within American Samoa and provides for additional increases in the minimum wage of \$0.50 per hour each year on May 25, until reaching the minimum wage generally applicable in the United States. The wage rates are set for particular industries, not for an employee's particular occupation. The rates are minimum rates; an employer may choose to pay an employee at a rate higher than the rate(s) for its industry.

²Connecticut: The Connecticut minimum wage rate automatically increases to 1/2 of 1 percent above the rate set in the Fair Labor Standards Act if the Federal minimum wage rate equals or becomes higher than the State minimum.

³District of Columbia: In the District of Columbia, the rate is automatically set at \$1 above the Federal minimum wage rate if the District of Columbia rate is lower.

⁴The Maine minimum wage is automatically replaced with the Federal minimum wage rate if it is higher than the State minimum with the exception that any such increase is limited to no more than \$1.00 per hour above the current legislated State rate.

⁵The Massachusetts minimum wage rate automatically increases to 10 cents above the rate set in the Fair Labor Standards Act if the Federal minimum wage equals or becomes higher than the State minimum.

⁶ Minnesota: With the passage of H.B. 2091 (2014), the annual sales volume threshold was reduced to \$500,000. For large employers, with an annual sales volume of \$500,000 or more, the minimum wage is \$8.00; for small employers, those with an annual sales volume of less than \$500,000, the minimum wage is \$6.50.

⁷ Missouri - In addition to the exemption for federally covered employment, the law exempts, among others, employees of a retail or service business with gross annual sales or business done of less than \$500,000.

⁸ Montana: the \$4.00 rate applies to businesses with gross annual sales of \$110,000 or less; \$7.90 applies to all others.

⁹ Nevada: \$8.25 without health benefits; \$7.25 with health benefits.

¹⁰ Ohio: \$7.25 for employers grossing \$283,000 or less

¹¹ Oklahoma: Employers of ten or more full time employees at any one location and employers with annual gross sales over \$100,000 irrespective of number of full time employees are subject to federal minimum wage; all others are subject to state minimum wage of \$2.00 (OK ST T. 40 § 197.5).

¹² Puerto Rico: Employers covered by the Federal Fair Labor Standards Act (FLSA) are subject to the Federal minimum wage of \$7.25. Employers not covered by the FLSA will be subject to a minimum wage that is at least 70 percent of the Federal minimum wage or the applicable mandatory decree rate of \$5.08, whichever is higher. The Secretary of Labor and Human Resources may authorize a rate based on a lower percentage for any employer who can show that implementation of the 70 percent rate would substantially curtail employment in that business.

¹³ Virgin Islands: \$4.30 for businesses with gross annual receipts of less than \$150,000.

-Other Exceptions

- Missouri, Oklahoma, Texas, Puerto Rico, Utah, and Virginia exclude from coverage any employment that is subject to the Federal Fair Labor Standards Act.
- Hawaii, Kansas, and Michigan exclude from coverage any employment that is subject to the Federal Fair Labor Standards Act, if the State wage is higher than the Federal wage.
- The Georgia state minimum wage is \$5.15. Employees covered under the federal Fair Labor Standards Act are subject to the federal minimum wage of \$7.25, but those not covered under the FLSA may be paid the state minimum wage of \$5.15.

Increase in Minimum Wage Rate in Chicago

On December 3, 2014, the Chicago City Council passed an ordinance to raise the minimum wage for Chicago employees to \$13.00 by 2019. The increase will be gradual; the next raise is scheduled to occur on **July 1, 2016** with minimum hourly wage rates increasing to \$10.50.

Fringe Benefits

For your convenience, we have included some information regarding taxable fringe benefits. However, because we have limited knowledge of your business, any questions regarding the calculation of these fringe benefits should be addressed to your accounting professional. Below is a summary of items from publication 15-B. Please be sure to have any fringe benefits entered into the system by the cutoff date of **Tuesday, December 29th, 2015**.

De Minimis (Minimal) Benefits

You can exclude the value of a de minimis benefit you provide to an employee from the employee's wages. A de minimis benefit is any property or service you provide to an employee that has so little value (taking into account how frequently you provide similar benefits to your employees) that accounting for it would be unreasonable or administratively impracticable. Cash and cash equivalent fringe benefits (for example, use of gift card, charge card, or credit card), no matter how little, are never excludable as a de minimis benefit, except for occasional meal money or transportation fare. An example of a de minimis benefit would be the occasional personal use of a company copying machine if you sufficiently control its use so that at least 85% of its use is for business purposes.

Employee Discounts

This exclusion applies to a price reduction you give an employee on property or services you offer to customers in the ordinary course of the line of business in which the employee performs substantial services. However, it does not apply to discounts on real property or discounts on personal property of a kind commonly held for investment (such as stocks or bonds).

Simple Cafeteria Plans

After December 31, 2010, eligible employers meeting contribution requirements and eligibility and participation requirements can establish a simple cafeteria plan. Simple cafeteria plans are treated as meeting the nondiscrimination requirements of a cafeteria plan and certain benefits under a cafeteria plan.

Meals

You can exclude any occasional meal or meal money you provide to an employee if it has so little value (taking into account how frequently you provide meals to your employees) that accounting for it would be unreasonable or administratively impracticable. The exclusion applies, for example, to the following items.

- Coffee, doughnuts, or soft drinks.
- Occasional meals or meal money provided to enable an employee to work overtime. (However, the exclusion does not apply to meal money figured on the basis of hours worked.)
- Occasional parties or picnics for employees and their guests.

You may also exclude the value of meals you furnish to an employee from the employee's wages if they are furnished on your business premises and they are furnished for your convenience.

Other Fringe Benefits to Consider

- Adoption Assistance
- Tuition Reduction
- Athletic Facilities

Achievement Awards

-Exclusion from Wages

You can generally exclude the value of achievement awards you give to an employee from the employee's wages if their cost is not more than the amount you can deduct as a business expense for the year.

-Deduction Limit

Your deduction for the cost of employee achievement awards given to any one employee during the tax year is limited to the following:

- \$400 for awards that are not qualified plan awards
- \$1,600 for all awards, whether or not qualified plan awards
-

-Qualified Plan Award

A qualified plan award is an achievement award given as part of an established written plan or program that does not favor highly compensated employees as to eligibility or benefits. A highly compensated employee is an employee who meets either of the following tests.

- The employee was a 5% owner at any time during the year or the preceding year.
- The employee received more than \$115,000 in pay for the preceding year.

See chapter 2 of Publication 535 for more information about the limit on deductions for employee achievement awards.

Transportation (Commuting) Benefits: De Minimis

-De Minimis Transportation Benefits

You can exclude the value of any *de minimis* transportation benefit you provide to an employee from the employee's wages.

A *de minimis* transportation benefit is any local transportation benefit you provide to an employee if it has so little value (taking into account how frequently you provide transportation to your employees) that accounting for it would be unreasonable or administratively impracticable.

- For example, it applies to occasional transportation fare you give an employee because the employee is working overtime if the benefit is reasonable and is not based on hours worked.

Transportation (Commuting) Benefits: Qualified (P15B)

Qualified transportation benefits can be provided directly by you or through a bona fide reimbursement arrangement. This exclusion applies to the following benefits.

- A ride in a commuter highway vehicle between the employee's home and work place.
- A transit pass
- Cash reimbursements for transit passes qualify only if a voucher or a similar item that the employee can exchange only for a transit pass is not readily available for direct distribution by you to your employee.
- Qualified parking
- Qualified bicycle commuting reimbursement



Business Use of Employee-Owned Vehicle

If using your personal car for business purposes, you ordinarily can deduct car expenses.

-Important

To be treated as an expense reimbursement, the reimbursement must be provided under an accountable plan.

-To be an accountable plan:

- Your expenses must have a business connection
- You must adequately account for the expenses
- You must return any excess reimbursement or allowance within a reasonable period of time

2015 mileage rates are listed below (2016 rates have not been published at time of printing):

Purpose	Rates
Business	57.5
Medical/Moving	23
Charitable	14

Personal Use of Business-Owned Vehicle

If you provide a car for an employee's use, the amount you can exclude as a working condition benefit is the amount that would be allowable as a deductible business expense if the employee paid for its use.

If the employee uses the car for both business and personal use, the value of the working condition benefit is the part determined to be for business use of the vehicle. See Publication 535. Generally, you may include:

- Actual Expense
- Miles * Applicable Mileage Rate

However, instead of excluding the value of the working condition benefit, you can include the entire annual lease value of the car in the employee's wages. The employee can then claim any deductible business expense for the car as an itemized deduction on his or her personal income tax return. This option is available only if you use the lease value rule to value the benefit.

Educational Assistance Reimbursements

If you are providing educational assistance for your employees, you may need to include that amount in the employee's income. If you have taxable reimbursements and have not reported these amounts to us, please do so immediately.

Moving Expenses

Qualified moving expenses are not subject to federal withholding. However, the IRS has very specific guidelines about what expenses can be considered qualified. If you have reimbursed an employee for moving expenses, please contact your accounting professional to determine if the expenses are qualified. If they were not qualified and need to be included in the employee's income, please notify us.



Publication 521 explains the deduction of certain expenses of moving to a new home because you changed job locations or started a new job. You can deduct your moving expenses if you meet all three of the following requirements.

- Your move is closely related to the start of work. You can generally consider moving expenses incurred within 1 year of the date you first reported to work at the new location.
- You meet the distance test. Your new main job location is at least 50 miles further from your former home than your old main job location was from your former home.
- You meet the time test. You must work full time for at least 39 weeks during the first 12 months after you arrive.

More information can be found at: <http://www.irs.gov/pub/irs-pdf/p521.pdf>

Other Fringe Benefits

You may have other fringe benefits to report such as personal use of a company car (NON-CASH FRINGE BENEFIT) or other awards and prizes (CASH FRINGE BENEFITS). These fringe benefits are taxable and are shown on the tax returns in the same way as regular wages. If you provide the employee a vehicle and include 100% of the lease in the employee's income, please notify us. Additionally, please notify us if you have **any** taxable fringe benefits to report.



Group Term Life Insurance (Over \$50,000)

If you are paying group term life insurance premiums on behalf of your employees, and the insurance amount exceeds \$50,000, please contact **HowardSimon** and provide the premium and life insurance amounts.

-The 10-employee rule. Generally, life insurance is not group-term life insurance unless you provide it to at least 10 full-time employees at some time during the year. Contact your insurance company if you have questions about whether or not your policy qualifies as Group Term Life.

-Exception for S Corporation Shareholders. Do not treat a 2% shareholder of an S corporation as an employee of the corporation for this purpose. A 2% shareholder is someone who directly or indirectly owns (at any time during the year) more than 2% of the corporation's stock or stock with more than 2% of the voting power. Treat a 2% shareholder as you would a partner in a partnership for fringe benefit purposes, but do not treat the benefit as a reduction in distributions to the 2% shareholder.

Sub-S Medical

Medical Insurance Premiums treated as wages.

- The health and accident insurance premiums paid on behalf of the greater than 2% S corporation shareholder-employee are deductible by the S corporation as fringe benefits and are reportable as wages for income tax withholding purposes on the shareholder-employee's Form W-2.

- They are not subject to Social Security or Medicare (FICA) or Unemployment (FUTA) taxes. Therefore, this additional compensation is included in Box 1 (Wages) of the Form W-2, Wage and Tax Statement, issued to the shareholder, but would not be included in Boxes 3 or 5 of Form W-2.
- A 2% shareholder-employee is eligible for an AGI deduction for amounts paid during the year for medical care premiums if the medical care coverage is established by the S corporation. Previously, “established by the S corporation” meant that the medical care coverage had to be in the name of the S corporation.

If you believe you need to enter the Sub-S Medical Premiums for any of your Sub-S Shareholders, please contact your customer service representative.

For Clients NOT Using HS&A Benefits Administration

-Non-Qualified and Section 457 Plans

When an employee or former employee retires and begins receiving payments, or distributions, from a non-qualified or Section 457 plan, the amount of these payments must be reported to us. If you are reporting distributions from both a non-qualified plan and a Section 457 plan, please be sure to note this fact when you contact us.

-Reporting Payments and Deferrals in the Same Year

When payments are made from a non-qualified plan or a Section 457 plan and deferrals are being reported in boxes 3 and/or 5 of the W-2 (including current year deferrals), please notify us of these payments and deferrals.

-Distribution from a Non-Qualified Deferred Compensation or Section 457 Plan

Total or partial distributions from a non-qualified deferred compensation plan or a Section 457 plan are considered federal subject wages. Employers are required to report these distributions on Form W-2 in Box 1 and Box 11 for non-qualified plans. Please report the amount of any distributions of this type to us.

If any of the above situations apply to your company, please contact us.

Labor Law Posters

Stay in compliance and order your 2015 posters today!

In order to avoid penalties and fines, employers must keep the most up-to-date labor law postings. *W* offers our clients the option of enrolling in a labor law compliance program or purchasing a single standalone combination poster. All posters arrive laminated and in complete compliance with both state and federal regulations (at the time of shipping).

Clients enrolled in the compliance program automatically receive a brand new poster whenever a mandatory posting modification occurs (on average, three times annually).



We offer the following cost-saving compliance subscriptions:

- 1 Year Compliance Program: \$52.45
- 2 Year Compliance Program: \$84.45
- 3 Year Compliance Program: \$104.95

Clients can purchase a single standalone combination poster for \$28.45 (will not receive updated posters as regulations change). Shipping and handling included in all pricing; no additional charges apply to replacement posters. California orders subject to California sales tax which is not included in pricing.

To place an order or if you have any questions, please contact our customer support team by phone at 847-945-0340 or by e-mail at support@hsimon.com.

Record Retention

HS&A recommends 7 years of retention due to various state requirements. However, the IRS recommendation is to:

Keep all records of employment taxes for at least 4 years. These should be available for IRS review. Your records should include:

- Your employer identification number (EIN)
- Amounts and dates of all wage, annuity, and pension payments
- Amounts of tips reported to you by your employees
- Records of allocated tips
- The fair market value of in-kind wages paid
- Names, addresses, social security numbers, and occupations of employees and recipients
- Any employee copies of Forms W-2 and W-2c returned to you as undeliverable
- Dates of employment for each employee
- Periods for which employees and recipients were paid while absent due to sickness or injury and the amount and weekly rate of payments you or third-party payers made to them
- Copies of employees' and recipients' income tax withholding allowance certificates (Forms W-4, W-4P, W-4(SP), W-4S, and W-4V)
- Copies of employees' Earned Income Credit Advance Payment Certificates (Forms W-5 and W-5(SP))
- Dates and amounts of tax deposits you made and acknowledgment numbers for deposits made by EFTPS
- Copies of returns filed and confirmation numbers
- Records of fringe benefits and expense reimbursements provided to your employees, including substantiation



Happy New Year!

From all of us here at **HowardSimon** have a very happy, healthy and prosperous New Year and Holiday Season.

