

Social Security Administration

Internal Revenue Service

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Winter 2013

A Newsletter for Employers

Small Business Health Care Tax Credit and Estimator

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.

Who is Eligible for the Credit?

The tax credit is designed to help you provide health insurance coverage to your employees. You're an eligible employer for the tax year if:

- In general, you paid at least half the cost of premiums for single coverage for your employees.
- You had fewer than 25 full-time equivalent employees for the tax year.
- You paid average annual wages for the tax year of less than \$50,000.00 per FTE.

For tax years 2014 and later, you must pay your share of your employees' premiums based on a qualified plan offered through the Small Business Health Options Program Marketplace. Also, for tax years beginning in 2014, the credit is available to you as an eligible employer for two consecutive years.

Because this is a credit against your income tax, it could mean money in your pocket!

What is the Estimator?

The Estimator is an online tool to help you determine your eligibility for the credit and to help estimate it. It is primarily for employers that pay a portion of their employees' health insur-

ance premiums and are unsure if they qualify. The tool automates many of the steps needed to estimate whether a small business qualifies for the credit, and helps determine certain items, including:

- The number of FTEs;
- The average annual wages based on the FTEs;
- If the employer's insurance plans potentially meet the qualifying arrangement requirement;
- The credit phase-out if the employer has more than 10 FTEs;
- The credit phase-out if more than \$25,000 average annual wages was paid; and
- The approximate amount of the credit.

To use the estimator, you'll need certain information, including:

- Total hours your employees worked
- Total wages you paid to employees
- The costs of health insurance you paid on behalf of your employees

TAS placed the Estimator and complete instructions on its Tax Toolkit at taxpayeradvocate.irs.gov/ where small businesses and tax professionals can access it easily. You can also find the Estimator on IRS.gov, sba.gov, and the [Kaiser Permanente site](http://KaiserPermanente.org). You can get more information on the SBHCTC at the [Small Business Health Care Tax Credit for Small Employers](http://SmallBusinessHealthCareTaxCreditforSmallEmployers) page on IRS.gov. 

“e-Connecting” Employers and States with eTerm!

Employers that implement the federal Office of Child Support Enforcement’s (OCSE) electronic Income Withholding Order (e-IWO) process get their child support Income Withholding for Support orders (IWO) electronically from 31 states. This spring, they will also be able to electronically notify the other 23 states and territories about terminations using the existing e-IWO process.

All employers will also be able to notify states electronically about terminated employees using an

application on OCSE’s portal called eTerm. OCSE worked with employers and states to develop eTerm, which will allow employers to provide termination information using an online application on the portal either by entering them one by one or in batch through file uploads. After employers provide eTerms, OCSE generates an e-mail to the state child support agency letting them know that there is termination information available on the portal. States can view and download the eTerms, update their systems, and

take the necessary next action in a timely manner. No paper!

eTerm goes live in May 2014, so look forward to more information early next year!!

We encourage employers to participate in e-IWO. Currently 31 states, representing 75 percent of the national child support caseload, use the e-IWO system. There is NO cost to employers for participating in e-IWO.

For more information, contact Robyn Large at

robyn.large@acf.hhs.gov. 

Fast Track Settlement Program Available Nationwide; Time-Saving Option Helps Small Businesses Under Audit

The [Fast Track Settlement](#) program is designed to help small businesses and self-employed individuals who are under examination by the [Small Business/Self Employed Division](#) of the IRS.

Jointly administered by SB/SE and the IRS [Appeals](#) office, FTS uses alternative dispute resolution tech-

niques to help taxpayers save time and avoid a formal administrative appeal or lengthy litigation. As a result, audit issues can usually be resolved within 60 days, rather than months or years. Plus, taxpayers choosing this option lose none of their rights because they still have the right to appeal even if the FTS process is unsuccessful.

For more information on taking advantage of the Fast Track Settlement program, please view the short [FTS video](#). Additional background is available on the IRS.gov [Alternative Dispute Resolution](#) Web page.



E-Verify Adds Email Notifications - A Benefit for Employers and Employees

[E-Verify](#), the free online service that allows employers to verify the employment eligibility of their new hires, now uses email to concurrently notify the employee of important information concerning their E-Verify case results. E-Verify’s email notifications benefit employees and employers alike by improving transparency, ensuring timely notification to the employee of a record mismatch, and encouraging timely resolution. E-Verify respects the privacy of both employers and employees. As such, the emails do not contain personal information.

Since 1986, employers have been required to complete the Form I-9, [Employment Eligibility Verification Form](#), for every new hire. In early 2013, U.S. Citizenship and Immigration Services published a revised Form I-9 that features new fields, including an optional field for the employee’s email address. Following this improvement, E-Verify added a new email address field and now offers employee notification emails.

One Field, Four Email Opportunities

There are now four possible [emails](#) an employee may receive.

1. [Notification](#) from E-Verify of a Tentative Nonconfirmation. A tentative nonconfirmation (TNC) occurs if the information an employer entered in E-Verify from an employee’s Form I-9 did not match Department

of Homeland Security (DHS) or Social Security Administration (SSA) records. A [TNC](#) case result does not necessarily mean that an employee is not authorized to work in the United States.

2. An [email](#) confirming that an employee has decided to contest the TNC and that the employer referred the case to DHS or SSA. This email also states the date by which the employee must contact DHS or SSA to begin to resolve the TNC.
3. An additional [email](#) will be sent if the employee decided to contest the TNC but has not contacted DHS or SSA within four days of the date that the case was referred.
4. This email is not related to a TNC. When E-Verify confirms employment eligibility for a naturalized citizen according to DHS records, but also finds that records with SSA have not been updated since the employee naturalized, the email will advise the employee to visit an SSA field office to update the record.

Email Doesn’t Replace Employer Responsibilities

On the Form I-9, the [email](#) address field is optional. However, employers who use E-Verify must now enter the email address if the employee chooses to include it on [Form I-9](#). This enables E-Verify to communicate directly with employees via email.

Moreover, these enhancements do not change an employer’s responsibility to adhere to E-Verify’s rules and respect employees’ rights. Employers still have the responsibility to notify the employee of a TNC and follow the [TNC](#) process.

Streamlined TNC Process

E-Verify recently simplified its [TNC](#) process by streamlining the documentation process. The TNC process involves two documents:

1. The [Further Action Notice](#) appears when an employee receives a TNC, explains the reason for the TNC and the employee’s right to contest it. The Further Action Notice replaced the former Tentative Nonconfirmation Notice and Referral Letter by condensing the content of two lengthy documents into one plain language notice.
2. The one-page [Referral Date Confirmation](#) appears after the employee decides to contest the TNC and the employer has referred the case. It gives the date by which the employee must visit SSA or contact DHS to begin resolving the TNC.

In addition, E-Verify users may notice fewer screens to click through, resulting in clearer process and decreased processing time. [E-Verify](#) is now used by about half a million employers at 1.4 million hiring sites. Learn more about enhancements to [E-Verify](#) and how to enroll at www.dhs.gov/E-Verify. 

American Payroll Association's Preparing for Year-End and Into 2014

Determining full-time employee status to meet health insurance reporting requirements, FUTA credit reduction states, and fringe benefit taxation's impact on W-2 and 941 reporting – all of these will dramatically affect your payroll in the coming months.

Are you prepared for these changes and what is required for a successful year end? The American Payroll Association offers the following proven checklist to help you complete a penalty-free year-end processing. Many of the items contained in this checklist come from our most popular seminar, *Preparing for Year-End and 2014*, which can also be viewed as a webinar.

To view this time saving and educational information, visit [Preparing for Year-End and 2014](#) and register today. If you are involved in payroll processing for the government, public sector, or Canadian payroll, the APA also has you covered by offering year-end courses for these topics. Visit [Government/Public Sector Year-End and 2014](#) and [Canadian Payrolls Preparing for Year-End and 2014](#) to learn more.

The following checklist provides a broad overview of common year-end topics for payroll administrators. In addition to this checklist, each state has separate regulations affecting payroll and should also be consulted.

In December

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

the processing of paychecks dated after February 18, 2014, 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).
- 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.
- Remind employees of the \$2,500 salary reduction limit for health FSA contributions for plan years beginning in 2014.
- Remind employees if your health FSA has a grace period for early 2014 claims or a carryover provision for up to \$500 of 2014 medical expense claims.
- Schedule any special bonus payrolls for the current year.
- Order Forms W-2 and Forms 1099-MISC from the IRS [here](#) for all employees and independent contractors who have worked for your company this year, as well as some extra to allow for any mistakes. Also consider preparing, printing, and filing your Forms W-2 online at [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](#).
- Check to see if Congress renewed any tax provisions. If Congress does not act by December 31:
 - o The excludable amount for qualified transportation fringe benefits will increase to \$250 per month for parking benefits and decrease to \$130 per month for mass transit benefits (i.e., transit passes and vanpools).
 - o The Work Opportunity Tax Credit for hiring certain employees, such as a qualified veteran, will expire.

In December and January

- Obtain new forms, withholding tables, and publications from IRS.
- Review the Social Security wage base (\$117,000 for 2014), deferred compensation limits, mileage rate (56.5 cents per mile for 2013), 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.
- Large employers (at least 50 full-time employees) should consider voluntarily collecting and reporting information for 2014 that will need to be reported under Code Section 6056 for 2015.

In January

- Reconcile W-2 and W-3 totals against Forms 941 for 2013.
- Run a report to verify W-2 information before printing the forms for each employee.
- Verify that you have a SSN for each employee.
- Review employees' Forms W-2 who have wages higher than the Social Security wage base (\$113,700 for 2013), 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 January 31

- Deliver or mail Forms W-2, Wage and Tax Statement, to all 2013 employees and Forms 1099-MISC to all 2013 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 January 31. If all taxes have been deposited when due, the deadline for filing is extended to February 10.

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February 18

- For any employee who claimed “exempt” from withholding in 2013, but has not submitted an exempt 2014 W-4, begin withholding based on the most recent, valid, non-exempt W-4 from that employee. If you do not have one, withhold based

on a marital status of “single” and zero withholding allowances.

By February 28

- File paper Forms W-2 (Copy A) and W-3 with the Social Security Administration by February 28, 2014. If you file electronically, the deadline for submitting these forms is extended to March 31, 2014.

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

IRA 2013 Year - End Reminders

IRAs are a great way to save for retirement. Here are some reminders for 2013.

Contributions

■ Limits

Review the 2013 [IRA contribution and deduction limits](#) to ensure you’re taking full advantage of the opportunity to save for retirement. You can contribute up to \$5,500 or your taxable compensation, if less (\$6,500 if you are age 50 or older by the end of 2013) 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, you and your spouse can each make IRA contributions even if only one of you has taxable compensation. You have until April 15, 2014, to make an IRA contribution for 2013.

■ Excess contributions

If you’ve exceeded the 2013 IRA contribution limit, you should withdraw the excess contributions from your account by the due date of your 2013 tax return (including extensions). Otherwise, you must pay a 6% tax each year on the excess amounts remaining in your account.

Tax credit

You may be able to take a [retirement savings contribution tax credit](#) (saver’s credit) of up to \$1,000 (\$2,000 if filing jointly) for your contributions to either a traditional or Roth IRA. The amount of the credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%. Your credit rate depends on your income and your filing status. See [Form 8880](#) to determine your credit rate.

Required minimum distributions

If you’re 70½ or older, you must take a required minimum distribution from your traditional IRA by December 31, 2013 (April 1, 2014, if you turned 70½ in 2013). You can calculate the amount of your RMD by using the [RMD worksheets](#). You must calculate the RMD separately for each of your traditional IRAs, but can withdraw the total amount from any one or more of them. You face a 50% excise tax if you don’t take your RMD on time. If you own only Roth IRAs, you don’t have to worry about RMDs because you aren’t required to take RMDs from Roth IRAs held in your name.

Charitable donations

You can exclude from gross income up to \$100,000 of a 2013 qualified charitable distribution, which is:

1. a distribution paid directly from your IRA (not an ongoing SEP or SIMPLE IRA),
2. to a qualified charity,
3. after you’re 70½, and
4. by December 31, 2013.

You can use a qualified charitable distribution to satisfy the RMD for your IRA for the year. However, you can’t deduct this amount as a charitable contribution on your tax return.

Additional resources

- [FAQs: IRAs](#)
- [FAQs: Required Minimum Distributions](#)
- [Publication 590, Individual Retirement Arrangements \(IRAs\)](#)
- [Publication 4703, Retirement Savings Contributions](#)

Credit 

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](#)).



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Common Errors on Form W-2 Codes for Retirement Plans

You must ensure that the information on [Form W-2](#), Wage and Tax Statement, and [Form W-3](#), Transmittal of Wage & Tax Statements, you issue to your employees contains correct retirement plan information because:

- employees need accurate information to determine the correct deductions and credits on their tax return, and
- IRS agents use the information from these forms to determine whether employers are complying

with income and employment tax reporting requirements.

Common mistakes

During Form 5500 examinations and [EPCU projects](#), IRS agents found employers using incorrect codes in Box 12 of Form W-2, for example:

- code D for 401(k) elective deferrals incorrectly included 403(b), 457, or non-qualified amounts.
- code E for 403(b) contributions but did not have a 403(b) plan.

■ code H to incorrectly report health benefits; code H is for elective deferrals to a 501(c)(18)(D) tax-exempt organization plan. (In fact, a recent Employee Plan Compliance Unit project found that only 6 % of employers who used this code actually contributed to a 501(c)(18) plan.)

■ code S for a SIMPLE 401(k); the correct code for a SIMPLE 401(k) is code D.

See the [Instructions for Forms W-2 and W-3](#) for a complete list of codes.

Common codes used for Box 12

Letter code:	Used for:	Description:
D	401(k) contributions	Elective deferrals to a 401(k) cash or deferred arrangement, including SIMPLE 401(k)s
E	403(b) contributions	Elective deferrals made under a 403(b) salary reduction agreement
F	408(k)(6) contributions	Elective deferrals made under a SARSEP
G	457(b) contributions	Elective and nonelective deferrals made to a 457(b) deferred compensation plan
H	501(c)(18)(D) contributions	Elective deferrals to a Section 501(c)(18)(D) tax-exempt organization plan (Included in the "Wages, Tips, Comp." amount in Box 1)
S	408(p) SIMPLE contributions	Deferrals made under a SIMPLE IRA plan
AA	Roth contributions	Designated Roth contributions under a 401(k) plan
BB	Roth contributions	Designated Roth contributions under a 403(b) plan
EE	Roth contributions	Designated Roth contributions under a governmental 457(b) plan (a tax-exempt organization's 457(b) can't have a designated Roth account)

Form W-2, Box 13

The "Retirement plan" indicator in Box 13 shows whether an employee is an active participant in your company's plan. If this box is checked, it lets the recipient know that depending on their filing status and modified adjusted gross income, they may not be entitled to a full deduction for their traditional IRA contributions. You should check the retirement plan box if an employee was an "active participant" for any part of the year in:

- a qualified pension, profit-sharing, or stock-bonus plan under Internal Revenue Code Section 401(a) (including a 401(k) plan).
- an annuity plan under IRC Section 403(a).
- an annuity contract or custodial account under IRC Section 403(b).

- a simplified employee pension (SEP) under IRC Section 408(k).
- a SIMPLE retirement account under IRC Section 408(p).
- a trust described in IRC Section 501(c)(18).
- a plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than a 457(b) plan).

Active participant

Generally, an employee is an active participant if covered by a:

- defined contribution plan (for example, a 401(k) plan) for any tax year and is credited with any contributions or forfeitures, or
- defined benefit plan for any tax year that the employee is eligible to participate.

Don't check the retirement plan box if your company only has non-qualified or 457(b) plans.

Form W-3, Box b

Form W-3, Box b has checkboxes to specify the type of employer filing the form. You should check the appropriate box if you are a:

- non-governmental tax-exempt 501(c) organization;
- state or local government or instrumentality;
- state or local government or instrumentality and have received a determination letter from the IRS indicating that you are also a 501(c)(3) tax-exempt organization; or
- federal government entity or instrumentality.

Otherwise, you should check the "None apply" box.

Only check **one box**. 

Notifying the IRS When There is a Change of Responsible Party

Beginning January 1, 2014, any entity with an Employer Identification Number (EIN) must file Form 8822-B, Change of Address or Responsible Party – Business, to report the latest change to its responsible party. Form 8822-B must be filed within 60 days of the change.

If the change in the identity of your responsible party occurred before 2014, and you have not previously notified the IRS of the change, file Form 8822-B before March 1, 2014, reporting only the most recent change. A responsible party is the individual or entity that controls, manages, or directs the disposition of funds and assets of the entity with the EIN (see the instructions for Form 8822-B). Learn more about Form 8822 -B [here](#).

The purpose of this change is for the IRS to have updated information about who owns and controls an entity with an EIN. This will ensure that the IRS knows who to contact when there is a tax problem and does not contact responsible parties that are no longer affiliated with the entity. 

IRS Wants Your Help to Reduce Taxpayer Burden

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 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. 

EITC and Employers

Are your employees getting the credit they earned?

Many workers may be eligible for The Earned Income Tax Credit.

Employees could be eligible to get more money back from the IRS this year - as much as \$6,000. If you have workers who earn less than \$51,000 from wages, self-employment, or farming in 2013, they may be eligible for the [Earned Income Tax Credit](#) - or EITC.

EITC can be a benefit for working people, their family and community. This year, millions of workers will qualify for the first time as a result of a change in financial, marital or parental status. Several workers may get back even more if your [state](#) also has an EITC.

Eligibility is based on [several factors](#), including the amount of earned and other types of income, or combined income if married and whether your employees have one or more qualifying children. Workers without children may also qualify for the Earned Income Tax Credit.

To receive EITC employees must file 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. The online EITC Assistant tool is accessible in both [English](#) and [Spanish](#).

The IRS offers several free options for employees to claim EITC, such as FreeFile and the over 14,000 volunteer sites across the country. FreeFile allows workers to prepare and e-file their own tax return. Free help preparing EITC tax returns is also available at many volunteer income tax assistance sites. Employees can locate volunteer sites near them on IRS.gov and selecting the [VITA Locator tool](#) or call the IRS at 1-800-906-9887.

Some employers are required to notify their employees about EITC. Make certain your employees take the credit they're due. Visit the [IRS EITC Info Center for Employers](#) to learn more about employer requirements as well as the latest tools, tips and information on the Earned Income Tax Credit.

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](#) 

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Reporter

Spring 2014

A Newsletter for Employers

Get the Tax Help You Need — When and How You Want It

If you need help answering a tax question or researching a tax issue, you can find the answers yourself by simply going online or using a Smartphone. You have several IRS options for getting the tax help you need when and how you want it. You can find them on IRS.gov.

IRS2Go

You can download the free IRS2Go mobile app from the iTunes app store or from Google Play and can use it to:

- check your refund status,
- request transcripts of your tax returns or tax account be mailed to you,
- find a free VITA tax prep provider
- watch IRS YouTube videos,
- get IRS news as soon as it's released to the public,
- subscribe to filing season updates or daily tax tips, and
- follow the IRS Twitter news feed, @IRSnews, to get the latest federal tax news, including information about tax law changes and important IRS programs.

1040 Central

Check 1040 Central on IRS.gov for information that will help you prepare and file your 2013 federal tax return.

Tax Trails

[Tax Trails](http://TaxTrails) can help you find answers to general questions about tax credits, taxable income and other tax topics.

IRS Tax Map

You can use the IRS Tax Map to search publications and instructions by topic or keyword. This map integrates forms and publications into one research tool and provides single-point access to tax law information by subject. To use the IRS

Tax Map you'll need to click a button that says, "Leave IRS Site - please continue!" The IRS Tax Map contains official IRS information; it's just delivered from a different government web site.

Where's My Refund?

Check the status of your 2013 refund with the Where's My Refund? tool on IRS.gov or download the IRS2Go phone app and select the Refund Status option. The IRS issues more than 9 out of 10 refunds in less than 21 days. Our phone and walk-in representatives can research the status of your refund only if it's been 21 days or more since you filed electronically, more than six weeks since you mailed your paper return, or if Where's My Refund? asks you to contact us.

Using these applications, you can start checking on the status of your return within 24 hours after we received your e-filed return or four weeks after you mail a paper return. You will also be given a personalized refund date as soon as the IRS processes your tax return and approves your refund. The IRS updates Where's My Refund? every 24 hours, usually overnight, so you don't need to check more often.

One last tool to help you find the service you need is the IRS Services Guide. It directs taxpayers and practitioners to valuable web and toll free resources to help solve most tax issues.

Remember, IRS.gov is your one-stop federal tax shop. To find more options for getting tax help, visit IRS.gov. 

In-Business Trust-Fund Express Installment Agreements

It is always best to pay your taxes on time and in full. Doing so avoids costly penalties and interest. If you do get behind, paying your bill as quickly as possible will keep penalties and interest to a minimum. If you can't pay your bill quickly, the key is to be proactive by contacting the IRS immediately to discuss your options. Letting the problem linger is not a good choice.

Small businesses that are not financially able to immediately pay an overdue tax debt may qualify to make monthly payments through an installment agreement. While fees apply and interest and penalties accrue until the balance is paid, an installment agreement could still be an option.

If your small business currently has employees and is behind on its payroll taxes, you might qualify for an In-Business Trust Fund Express Installment Agreement. These agreements allow you to make monthly payments and generally do not require you to provide extensive financial information. Since these agreements involve trust fund taxes (taxes withheld from your employee's wages) the IRS may need to take additional steps to preserve the ability to make Trust Fund Recovery Penalty assessments. TFRP assessments can be made against individuals associated with the business who are responsible for collecting or paying withheld taxes and willfully fails to collect or pay them.

The criteria to qualify for an IBTF-Express IA are:

- The tax debt is \$25,000 or less at the time the agreement is established. If more than \$25,000 is owed, you can first pay down the liability to \$25,000 or less in order to qualify.
- The debt must be paid in full within 24-months or prior to the collection statute expiration date, whichever is earlier.
- A direct debit installment agreement must be used if the amount owed is between \$10,000 and \$25,000.
- All required returns must be filed and your business must be up to date with all payroll tax deposits for the current quarter.

Employers who qualify may request an In-Business Trust Fund Express Installment Agreement by:

- Calling the IRS business tax help line at 800-829-4933
- Visiting their local IRS office, or
- Calling the number on their IRS bill

If your business is contacted by an IRS field collection officer, discuss your options with them.

If your business owes more than \$25,000 in past due payroll taxes, and you can't pay down the balance in order to qualify for an IBTF-Express-IA, the IRS may still agree to a payment plan. However, we will need to look more carefully at the financial

condition of your business before entering into such an agreement. In order to evaluate the business, the IRS will require you to complete Form 433-B, Collection Information Statement for Businesses. You can download a copy of [Form 433-B](#) from our website. And you can find help in preparing the Form 433-B in IRS [Publication 5059](#), How to prepare a Collection Information Statement (Form 433-B).

We said at the top that if you can't pay on time contacting the IRS immediately is in your best interest. In addition to costly penalties and interest, letting the problem linger could leave your business facing a notice of federal tax lien or a levy on your assets. And you, the business owner, may be assessed the TFRP for the unpaid trust fund payroll taxes.

So if you get behind on your payroll taxes we encourage you to do what it takes to get back on track, pay as much as possible as quickly as possible on your overdue taxes, and get in touch with us at the IRS right away.

More information about installment agreements and other helpful tax information for small businesses are available on our website. To find the information go to [IRS.gov](#) and search "installment agreement," or "small business." 

It's Not Too Late for a Tax Break - Start a SEP Retirement Plan for 2013

If you own a business, you still have time to set up a [Simplified Employee Pension](#) plan for 2013. If you set up and fund your SEP by the due date of your 2013 business return (including extensions), you can still take a deduction for 2013.

If your business uses the calendar year for its tax year, the deadline to set up and contribute to a SEP plan for 2013 depends on the type of your business organization:

- If your business is a corporation, filing Form 1120 or 1120S, you have until March 15, 2014 (September 15, 2014, if you file for an extension).
- If your business is a partnership, filing Form 1065, you have until April 15, 2014 (September 15, 2014, if you file for an extension).

- If your business is a sole proprietorship, reported on Schedule C of Form 1040, you have until April 15, 2014 (October 15, 2014, if you file for an extension).

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 2013 in order for the business to get a deduction for 2013.

Additional resources:

[Publication 560](#), Retirement Plans for Small Business

[Publication 4333](#), SEP Retirement Plans for Small

Businesses

[SEP Plan FAQs](#)

[SEP Checklist](#)

[SEP Plan Fix-It Guide](#) 

SIMPLE IRA Tips for the Sole Proprietor

If you are a Schedule C filer (a sole proprietor) and have a SIMPLE IRA plan, you are treated as both an employer and an employee when calculating and reporting your own plan contributions and limits. Here are some tips.

Where do I report the contributions I make for myself to my SIMPLE IRA?

Report both your salary reduction contributions and employer contributions (non-elective or matching) for yourself on line 28 of Form 1040.

This is different from reporting employer contributions (non-elective or matching) for your common-law employees, which you would do as a business expense on your Schedule C.

When must I deposit the contributions I make for myself to my SIMPLE IRA?

You must deposit your salary reduction contributions within 30 days after the end of the tax year. For most people, this means salary reduction contributions for a year must be made by January 30 of the following year.

You must deposit your employer contributions by the due date (including extensions) of your federal income tax return for the tax year that includes the last day of the calendar year for which you made the contributions.

For most people, this means employer contributions for a year must be made by April 15 of the following year, or by October 15 if on extension.

What is the maximum contribution I may make for myself to my SIMPLE IRA?

Salary reduction contributions

You may defer up to \$12,000 in 2014 (adjusted for [cost-of-living](#) in later years). However, you may not exceed your net earnings from self-employment from the business sponsoring the SIMPLE IRA plan. If you are age 50 or over, you can make a catch-up

contribution of up to \$2,500 in 2014 (adjusted for cost-of-living in later years).

Employer contributions

Employer contributions for yourself must be the same type and rate as the contributions you make for your common-law employees. You must either:

- match your salary reduction contributions dollar-for-dollar up to 3% of your net earnings from self-employment; or
- make a non-elective contribution of 2% of your net earnings from self-employment that does not exceed \$260,000 for 2014. This amount was \$255,000 for 2013, and it is adjusted for cost-of-living in later years.

Your net earnings from self-employment are the amount you report on line 4 of Short Schedule SE or line 6 of Long Schedule SE (Form 1040) before you subtract any SIMPLE IRA plan contributions you make for yourself.

Example

Your business sponsors a SIMPLE IRA plan. In 2013, your employee, John, earned \$25,000 and chose to defer 5% of his salary. Your net earnings from self-employment were \$40,000 (as reported on your Form 1040, Schedule SE), and you chose to defer 10% of your earnings to your SIMPLE IRA. You elected to make 3% matching contributions for 2013 for all your employees.

The total SIMPLE IRA plan contribution for John is \$2,000.

John's salary reduction contributions (\$25,000 × 5%)	\$1,250
Employer matching contribution (\$25,000 × 3%)	\$ 750
Total contributions	\$2,000

You deduct John's contribution on your Form 1040, Schedule C. You must deposit John's \$1,250 salary

reduction contributions to his SIMPLE IRA:

- at the earliest date on which you can reasonably segregate them from your business' general assets, but no later than 30 days following the month in which John would have otherwise received the money; or
- within 7 business days after John would have otherwise received the money, to meet the Department of Labor's 7-day safe harbor for SIMPLE IRA plans with fewer than 100 participants.

You must deposit the \$750 employer matching contribution no later than the due date of your federal income tax return, including extensions.

Your total plan contribution is \$5,200.

Salary reduction contributions (\$40,000 × 10%)	\$4,000
Employer matching contribution (\$40,000 × 3%)	\$1,200
Total contributions	\$5,200

You deduct the plan contributions for yourself on line 28 of your Form 1040. You must deposit your \$4,000 salary reduction contribution to your SIMPLE IRA no later than January 30, 2014. You must deposit the \$1,200 employer matching contribution no later than the due date of your federal income tax return, including extensions.

Additional resources

- [Self-Employed Individuals – Calculating Your Own Retirement-Plan Contribution and Deduction](#)
- [Publication 560](#), Retirement Plans for Small Business
- [Publication 590](#), Individual Retirement Arrangements (IRAs)
- [FAQs – SIMPLE IRA Plans](#)

IRS

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 - 27, 2014, 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: Affordable Care Act updates relating to employer shared responsibility and information reporting for applicable large employers, final regulations on the additional Medicare tax for high earners, IRS' optional special administrative procedure for correction of income and taxes for benefits provided to same-sex spouses, and the modified "use-or-lose" rule for Health FSA plans allowing a \$500 carryover.

The class also includes an explanation of the taxation and reporting of some of the most common benefits; a review of the annually adjusted wage bases and benefit limits; and a discussion of revisions to IRS forms and publications. Most of the one-day classes also include presentations by IRS and/or SSA representatives. 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](#). APA

National Taxpayer Advocate Issues Annual Report to Congress

National Taxpayer Advocate Nina E. Olson has released her [2013 Annual Report to Congress](#), focused on taxpayer rights and the need for adequate funding for the IRS.

The Advocate reiterates her longstanding recommendation that the IRS adopt a comprehensive Taxpayer Bill of Rights (TBOR), noting that the Internal Revenue Code provides dozens of such rights, but doesn't present them in a coherent way. "Taxpayer rights are central to voluntary compliance," Olson said. "If taxpayers believe they are treated, or can be treated, in an arbitrary and capricious manner, they will mistrust the tax system and be less likely to comply with the laws voluntarily. If taxpayers have confidence in the fairness and integrity of the system, they will be more likely to comply."

The report identifies the lack of adequate IRS funding as another serious problem, as the IRS's workload has INCREASED

over the past decade while its funding and staffing have been cut. As a result, the Advocate says, the quality of taxpayer service has dropped to unacceptable levels.

- The IRS is no longer preparing tax returns for taxpayers seeking help, particularly low income, elderly, and disabled taxpayers.
- The IRS will only answer "basic" tax law questions on its telephone lines and in its walk-in sites during the 2014 filing season and will not answer any tax law questions after filing season.
- Last year, the IRS could only answer 61 percent of calls from taxpayers seeking to speak with a customer service representative. Some 20 million calls never got through, and taxpayers who did get through had to wait on hold for an average of more than 17 minutes.

The report also identifies problems in IRS procedures for classifying workers as independent contractors or

employees. The report says the unit handling determinations has been beset with a backlog of cases, with "overage" inventory reaching 80 percent and applicants having to wait for up to a year for a decision. The Advocate recommends that the IRS increase staffing to reduce burden on businesses and workers, and develop online self-help tools for employers or employees to determine worker classification.

About the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is your voice at the IRS. We help taxpayers whose problems with the IRS are causing financial difficulties; who have tried but haven't been able to resolve their problems with the IRS; or who believe an IRS system or procedure isn't working as it should. If you believe you're eligible for TAS assistance, call us toll-free at 1-877-777-4778. For more information, go to www.irs.gov/advocate. **IRS**

Employee e-file Options

If you have Internet access, business or personal, you can enjoy the ultimate in security and convenience by e-filing your individual tax return online.

And, there are free options. Almost everyone can use [Free File](#), either brand-name software or online fillable forms, to prepare and e-file their federal return for free. Free File is offered exclusively through IRS.gov at www.irs.gov/freefile.

If your Adjusted Gross Income is \$58,000 or less, you can let the brand-name software do the hard

work for you. Approximately 14 software providers make their products available to Free File. Some companies offer state return preparation for free or for a fee. There is one product in Spanish.

Each company has its own eligibility rules, usually based on income, age or state residency. But, anyone who makes \$58,000 or less will find at least one software product. Get started by using a helpful online tool that will identify the software products that match your needs, or you can review all

the software products yourself.

If your income is more than \$58,000, you can e-file using [Free File Fillable Forms](#) — the basic electronic alternative to IRS paper forms — which has no income limits for eligibility. The program performs some basic math calculations but does not support state tax returns. This is best for people comfortable preparing their own tax return.

IRS

Excess Contributions and Required Minimum Distributions for Individual Retirement Accounts May be Subject to Excise Taxes

If you have one or more IRAs, you could be subject to excise taxes if you make any excess contributions to your IRA or are not taking the required minimum distributions.

More information is available on IRS.gov

[Retirement Plans FAQs regarding Required Minimum Distributions](#)
[Publication 590, Individual Retirement Arrangements](#)

[Publication 575, Pension and Annuity Income](#)
[Publication 17, Your Federal Income Tax](#)
[Tax Topic 451 Individual Retirement Arrangements](#) **IRS**

AccuWage Software Alert

Social Security recommends you remove all prior-year versions of the AccuWage/AccuW2C software before you download the 2013 tax-year software.

Some users have reported download or installation issues with AccuWage/AccuW2C TY13 using Internet Explorer (IE11) as their browser while others were successful using Google Chrome or Firefox. If you would like download assistance or have an installation issue, you can complete a

[Systems Configuration Checklist](#) and send it to us at the [AccuWage Help Mailbox](#). The checklist will help us find a solution to your issue.

In addition, it is possible to receive an alert if the Submitter EIN (RA or RCA Record) and Employer/Agent EIN (RE or RCE Record) fields match. This alert is an "Information Only Alert." If you intended for the fields to match (be the same) and there are no other errors in the file to correct, you may leave AccuWage/AccuW2C and go to the Business

Services Online Web page to upload your file. Note: If you received the informational alert, you will not receive a pop-up message telling you to go directly to the BSO Web page to complete the action.

More

[Frequently Asked Questions and Solutions](#)
[AccuWage 2013 Help Guide](#)
[AccuW2C 2013 Help Guide](#)

SSA

Spring Cleaning of Your Payroll Records

After finishing your year-end payroll processes, it is a great time to start thinking about cleaning up your old files. Which records can you destroy, and which records must you retain? 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 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).
- Employee 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. This should include reported tips and the fair market value of non-cash payments.
- Amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the 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.
- 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.
- Fringe benefits provided to the employee and any required substantiation.
- Adjustments or settlements of taxes.
- 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 A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable. If you can electronically reproduce the undeliverable Forms W-2, you may destroy the originals.
- Amounts and dates of tax deposits.

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 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. 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.

Unemployment Tax

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

- The total amount of employee compensation paid during the calendar year.
- The amount of compensation subject to FUTA tax.
- State unemployment contributions made, with separate totals for amounts paid by the employer and amounts withheld from employees' wages. Currently, Alaska, New Jersey, and Pennsylvania require employee contributions.
- All information shown on Form 940 (with Schedule A and/or R as applicable).
- If applicable, the reason why total compensation and the taxable amounts are different.

Department of Labor, State Requirements

There are also record retention requirements set by the Department of Labor (DOL), as well as wage-hour and unemployment insurance agencies at the state level. 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](#). APA

Newest Additions to Business Services Online

Business Services Online is pleased to announce two major additions to W-2 Online:

First Addition: Starting December 21, 2013, W-2 Online is able to accept current year wage files (TY13) and wage files for three prior years (TY12, TY11 and TY10), thus completed our prior year addition project to match the IRS rules. This updates each year to offer the current year wage files and wage files for three prior years.

Second Addition: We added the Puerto Rico Form W-2 (W-2PR) to the W-2 Online application as the last stage in an effort to expand our territorial customers' ability to submit wage files electronically. The following existing territorial W-2s are already available in the W-2 Online application: W-2CM/Northern Mariana, W-2AS/American Samoa, W-2GU/Guam and W-2VI/U.S. Virgin Islands. All territories work the same. All you need to do

is to select Puerto Rico W-2PR as the type of W-2 Form.

In addition, we added a RECON indicator (checkbox) to W-2c Online to allow for efficient correction processing.

More

[Business Services Online](#) SSA

May 22: Employer and Child Support Symposium

Join the federal Office of Child Support Enforcement, states and employers for the 2014 Employer Symposium on Thursday, May 22, following the Eastern Regional Interstate Child Support Association (ERICSA) annual training conference & exposition.

Attendees will discuss these topics and more:

- Processing income withholding orders
- Lump sum reporting
- New Hire reporting
- Implementing electronic income withholding orders (e-IWO)
- Improving communication

Use these forms to register by May 8:

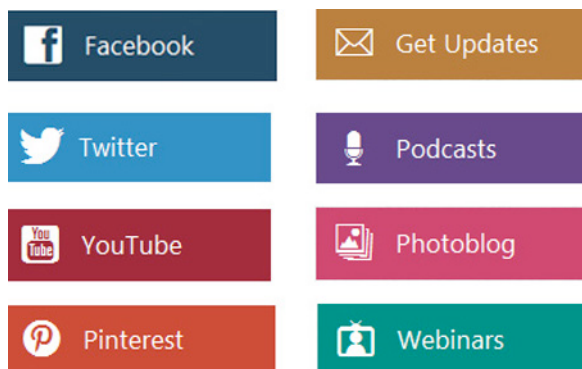
[Employer Symposium](#)

[Hotel reservation](#)

[ERICSA conference \(includes Employer Symposium\)](#)

Note: On Wednesday, May 21, the ERICSA conference will also offer employer-related workshops including an employer track in the plenary session. 

Stay Connected to Social Security



More

[What You Can Do Online](#) 

New Resources from E-Verify

E-Verify for Business Leaders

The new short video "[E-Verify for Business Leaders](#)" introduces E-Verify's benefits to prospective users. View the video to quickly learn why more than half a million employers are [enrolled to use](#) this free employment eligibility verification service at 1.5 million hiring sites.

Form I-9 Video Vignettes

Three short new videos make completing the Employment Eligibility Verification [Form I-9](#) easier for everyone. The first video helps new employees properly complete [Section 1](#), while the second and third videos help employers complete [Section 2](#) and [3](#) of the Form I-9. Each video takes you through the key steps in less than four minutes. The videos can be found on USCIS YouTube and [www.uscis.gov](#).

Updated E-Verify website

The [E-Verify website](#) unveiled a brand new look with more plain language and easy-to-follow graphics. Visit the new interactive [History and Milestones](#) page to review E-Verify's advances over the years.

How to Correct Immigration Records and Avoid Future Mismatches

The new downloadable [Fact Sheet](#) explains the steps to take to correct an immigration record. Employers are encouraged to provide this Fact Sheet to employees who receive an [E-Verify DHS Tentative Nonconfirmation \(TNC\)](#). It is available in eighteen languages.

The Form I-9 Employee Information Sheet

The new one-page [Form I-9 Employee Information Sheet](#) responds to common questions and prepares new employees to fill-in Section One of the Employment Eligibility Verification Form I-9. This resource is available in [English](#) and [Spanish](#) on [I-9 Central](#). You may want to make this available to new employees.

Free Training: Webinars in Spanish

[E-Verify](#) now offers the popular E-Verify and Form I-9 Overview webinar for employers and the Employee Rights webinar in [Spanish](#). Please also see the [full schedule](#) of E-Verify and Form I-9 webinars presented in English. Contact E-VerifyOutreach@dhs.gov for a customized webinar for your organization. Visit www.dhs.gov/E-Verify to learn how to enroll in this free web-based service for employers. 

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. 

What's on Your Earnings Record?



An online version of the Social Security Statement is now available at www.socialsecurity.gov. The online Statement provides eli-

gible workers with secure and convenient access to their Social Security earnings and benefit information. This tool is simple, easy-to-use and provides people with estimates they can use to plan for their retirement. The online Statement also provides estimates for disability and survivors benefits, making the Statement an important financial planning tool. Social Security suggests that people get in the habit of checking their Statement each year; for example, around their birthday.

In addition to helping with financial planning, the online Statement also provides workers a convenient way to determine whether Social Security posted earnings to their records accurately. This

feature is important because Social Security benefits are based on average earnings over a person's lifetime. If the earnings information is not accurate, the person may not receive all the benefits to which he or she is entitled. The online Statement also provides the opportunity to save or print a personalized Statement for financial planning discussions with family or a financial planner.

To get a personalized online Statement, the person must be age 18 and older and be able to provide information about him or herself that matches information already on file with Social Security. In addition, for additional verification, Social Security uses Experian an external authentication service provider. The person must provide identifying information and answer security questions in order to pass this verification. Social Security will not share a person's Social Security number with Experian, but the identity check is an important part of this new, robust verification process.

Once verified, the person creates a "My Social Security" account with a unique user name and password to access their online Statement. In addition, the portal also includes links to information about other online services, such as applications for retirement, disability, and Medicare.

The Social Security Statement provides a year-by-year display of earnings reported to an individual's Social Security record. When Social Security suspended the automatic mailing of statements, they established the Online Social Security Statement that enables individuals to verify their earnings records and obtain future benefit estimates by creating a [MySocialSecurity](#) account.

Individuals can also estimate retirement benefits using the online [Retirement Estimator](#).

More

[Who can create a MySocialSecurity account?](#)

SSA

Making Adjustments, Correcting Returns, and Obtaining Refunds and Credits When Employers Over Collect Additional Medicare Tax

In the Fall 2013 SSA/IRS Reporter (Pub 1693 (Rev. 11-2013) available on IRS.gov) the article "Making Adjustments, Correcting Returns, and Obtaining Refunds and Credits When Employers Over Collect Taxes" discussed adjustment and claim procedures for when an employer over collects federal income, social security, or Medicare tax. The following addendum to that article details adjustment and claim procedures for when an employer over collects Additional Medicare Tax.

Additional Medicare Tax over collected – discovered before Form 941 is filed

If an employer withholds too much from its employees' wages for Additional Medicare Tax, and discovers the error before filing Form 941 for the quarter during which the error was made, it does not have to report the over withheld amount if it repays or reimburses that amount by the due date of the Form 941 and keeps in its records a receipt from the employee showing the date and amount of payment or a record of reimbursement.

Additional Medicare Tax over collected – discovered after Form 941 is filed

If an employer over withholds Additional Medicare Tax from its employees' wages and discovers the error after filing Form 941 for the quarter during which the error was made, but before the end of the calendar year, the employer also can either repay or reimburse the employee for the over withheld amount.

However, the employer must repay the over withheld amount before the end of the calendar year during which the error was made, as well as keep the employee's written receipt as to the date and amount repaid.

Employers that reimburse employees for over withheld amounts by reducing future withheld taxes can do so only during the same calendar year that the error occurred, and they must keep evidence of the reimbursement as part of their records. Any over collections that exceed the amount reimbursed must be repaid to the employee.

Requirements for interest-free adjustments of Additional Medicare Tax overpayments

An interest-free adjustment for overpayments of Additional Medicare Tax can be made only if the employer

discovers the error and repays or reimburses its employees within the same calendar year that the wages were paid. Once an employer repays or reimburses an employee, the employer may report both the employee and employer portions of Additional Medicare Tax as an overpayment on the Form 941-X. The employer must certify on the form that it has repaid or reimbursed its employees.

Refunds of overpayments of Additional Medicare Tax

An employer can only file a claim for refund for Additional Medicare Tax that was overpaid to the IRS but not withheld from the employee. An employee can claim a credit for any withheld Additional Medicare Tax against the total tax liability shown on the employee's income tax return by filing Form 8959, Additional Medicare Tax, with Form 1040. If an error is discovered after Form 1040 was filed, the employee must file Form 1040X, Amended U.S. Individual Income Tax Return. See the Instructions for Form 1040X.

Find FREE Tax Preparation Near You

FREE tax help is closer than you think, probably right in your neighborhood. [IRS-sponsored tax preparation programs](#) can help you complete and electronically file your tax return for free, and will share information about tax credits and deductions for which you may qualify.

The IRS Volunteer Income Tax Assistance program offers free tax help to people who generally make \$52,000 or less. www.irs.gov, key word VITA

The Tax Counseling for the Elderly program offers free tax assistance for all with priority assistance to people who are 60 years of age and older, specializing in questions about pensions and retirement issues unique to seniors. www.aarp.org, key word Tax Aide

At select tax sites, you have an option to prepare your own free basic federal and state tax return using Web-based tax preparation software this year. This is helpful if you do not want to wait in line or need a little help to get started or do not have access to a computer or the internet.

There are IRS-certified volunteers at all VITA and TCE sites who are trained in basic tax law. Many locations have volunteers who speak other languages and can assist those who have difficulty communicating in English. Volunteers are also available to help visitors complete and file their own returns.

In addition to free tax return preparation assistance, VITA and TCE sites provide free electronic filing.

The IRS has partnerships with many nonprofit groups, government agencies and organizations that host tax

preparation sites in local communities. With thousands of these sites throughout the nation, there is a very good chance there's one conveniently located near you.

As a supplement to the traditional face-to-face approach for return preparation, some IRS partners have leveraged the power of technology to provide increased access to free tax preparation for individuals and families. Known as Virtual VITA/TCE, this program uses video chat software and secure file sharing technology to connect taxpayers and volunteer preparers in different geographic locations. Partners establish a convenient location for you to complete the required paperwork (including a consent form outlining the process). Your information is then securely transmitted (by scanner, fax, etc.) to an IRS-certified volunteer at another location to complete the return. To guide you through the return preparation process, you'll be able to communicate "virtually" with the preparer using video chat software or other technology provided by the sites.

So, how do you find these free help sites? The locations and hours of operation of sites near you can be found once tax filing season begins using the [VITA locator tool](#) on www.irs.gov and on the [IRS2Go](#) mobile application. The VITA/TCE sites will begin to appear on the locator tool approximately three weeks before they are scheduled to open. Most sites open around the end of January. You can typically find locations and hours for these volunteer tax preparation sites through city and local community organization hotlines. You can also call the IRS toll-free at 1-800-906-9887.

A majority of the TCE sites are operated by the AARP Foundation's Tax Aide Program. To locate the nearest TCE site or AARP Tax-Aide site, use the [AARP Site Locator Tool](#) or call 888-227-7669.

FREE tax help is closer than you think, and finding it just a matter of a few easy clicks. Please share information about these programs and how to find a site with your neighbors, family and friends who may qualify for this service.

Note to the editor: VITA/TCE sites are generally operated from the beginning of the tax filing season through April and appear on the locator tool as they open.

Tweet these messages:

IRS Volunteer Income Tax Assistance Program offers #FreeTax Prep if you earn \$52,000 or less. www.irs.gov, key word #VITA #IRS

Tax Counseling for the Elderly offers #FreeTaxPrep with priority assistance if you are 60 years of age and older www.aarp.org. #IRS #TAX

Why wait to prepare and file your federal taxes? IRS-certified volunteers can do it now for Free. <http://go.usa.gov/R1S> #IRS #FreeTaxPrep

IRS

Put the Earned Income Tax Credit to Work for You

Put the Earned Income Tax Credit to Work for You

Did you know you could be eligible to get more money back from the IRS - as much as **\$6,044**?

If you earned less than **\$51,567** from wages, self-employment, or farming last year, you may be eligible for the [Earned Income Tax Credit](#) - or EITC. You may be eligible for more if your [state](#) also offers EITC.

EITC can be a benefit for working people like you, your family and community. You may be among the millions who will qualify for the first time because of a change in your financial, marital or parental status in 2013.

EITC eligibility is based on [several factors](#), including the amount of earned and other types of income, or combined income if married and whether you have one or more qualifying children. Workers without children may also qualify.

You must file and claim the credit to get it. To find out if you are qualified to receive Earned Income Tax Credit, use the online [EITC Assistant](#) to estimate the amount of credit you are entitled to claim.

Get free help preparing your EITC tax return. The IRS offers several free options to claim EITC, such

as FreeFile and Volunteer Income Tax Assistance. FreeFile allows you to prepare and e-file your own tax return. Free help preparing EITC tax returns is also available at many volunteer income tax assistance sites. Locate a volunteer site near you on [IRS.gov](#) and selecting the [VITA Locator tool](#) or call the IRS at 1-800-906-9887.

You worked and earned it. Now put The Earned Income Tax Credit to work for you. Visit www.irs.gov/eitc to learn more about EITC. **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

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Facts about the Premium Tax Credit for Eligible Employees

Your Credit, Your Choice — Get It Now or Get It Later

The following information does not affect your 2013 tax return that you're filing in 2014.

If you get your health insurance coverage through the Health Insurance Marketplace, you may be eligible for the [Premium Tax Credit](#). This tax credit can help make purchasing health insurance coverage more affordable for people with moderate incomes. The open enrollment period to purchase health insurance coverage through the Marketplace for 2014 runs through March 31, 2014.

The Department of Health and Human Services administers the requirements for the Marketplace and the health

plans they offer. For more information about your coverage options, financial assistance and the Marketplace, visit [HealthCare.gov](#).

Eligibility

You may be eligible for the credit if you:

- buy health insurance through the Marketplace;
 - are ineligible for coverage through an employer or government plan;
 - are within certain income limits;
 - file a joint return, if married; and
 - cannot be claimed as a dependent by another person
- You must meet all of these requirements to be eligible.

It's your choice.

If you are eligible for the credit, you can choose to:

Get It Now: have some or all of the estimated credit paid in advance directly to your insurance company to lower what you pay out-of-pocket for your monthly premiums during 2014; or

Get It Later: wait to get the credit when you file your 2014 tax return in 2015.

More detailed information about the credit is available on [IRS.gov/aca](#) and in the [Questions and Answers](#) section. Two electronic flyers - Facts about the Premium Tax Credit - [Publication 5120](#) and [Publication 5121](#) - are available for public use and distribution. 

IRS Videos Help You Prepare to File Your Tax Return

The Internal Revenue Service offers a number of instructional YouTube videos to help you prepare and file your tax return this tax filing season.

- [Do-It-Yourself Free Tax Preparation](#) - Find free tax preparation sites where you have the option to prepare your own tax return for free using Web-based tax preparation software. IRS-certified volunteers at these sites can guide you through the process.
- [Do I Have to File a Tax Return?](#) - Learn about the requirements for filing a tax return, including income limits and age, and why you may want to file even if you don't have to file.
- [How to Get 1040 Forms](#) - Find the quickest way to get the various 1040 forms on [IRS.gov](#).
- [Tax Scams](#) - Read about protecting your personal information and avoid becoming a tax scam victim.
- [Record-keeping](#) - Learn which financial and tax files to keep and how long to keep them.

- [Changed Your Name After Marriage or Divorce?](#) - Find out what you need to do before you file your tax return if you have changed your name.
- [Choosing a Tax Preparer](#) - Hear some useful tips for choosing a reputable tax preparer.
- [When will I get my refund?](#) - Find out what to expect for refunds in 2014.

These short and informative videos can be viewed in English, Spanish and American Sign Language:

- [IRS Videos](#) — <http://www.youtube.com/irsvideos>
- [ASL Videos](#) — <http://www.youtube.com/IRSVideosASL>
- [Multilingual Videos](#) — <http://www.youtube.com/IRSVideosMultilingua>

The IRS uses [social media](#) tools and platforms to share the latest information on tax changes, initiatives, products and services. These social media platforms include the IRS2Go phone application, YouTube, TUMBLR, Twitter and Facebook. To protect taxpayer privacy, the IRS only uses social media tools to share

public information, not to answer personal tax or account questions. It advises taxpayers to never post confidential information, like a Social Security number, on social media sites. A listing is available on [IRS.gov](#).

Note to Editor: If your organization is on Twitter, consider using one of these IRS-approved tweets to reach out to your customers about this topic.

- Did you know #IRS offers video tax tips on YouTube? Check out www.youtube.com/irsvideos
- The IRS YouTube channel, where #IRS employees share the latest info <http://www.youtube.com/irsvideos>
- #IRS offers YouTube videos in American Sign Language (ASL) <http://www.youtube.com/IRSVideosASL>
- Check out these #IRS YouTube videos in Spanish. <http://www.youtube.com/IRSVideosMultilingua> 

You Only Have to Register Once for Business Services Online

The Business Services Online Suite of services allows organizations, businesses, individuals, employers, attorneys, non-attorneys representing Social Security claimants, and third-parties to exchange information with Social Security securely over the internet. You must register and create your own password to access BSO.

To use BSO, register at: www.socialsecurity.gov/bsowelcome.htm. You only have to register once. If you forget your password, select "Forgot Password" to receive your security questions to answer and get a new password. If you forget the security questions you can request a new password through the mail.

Please note, if you re-register, the new User ID will most likely not work because your employer information is tied into your original User ID. That is why it is important to "Log In" to Business Services Online before January each year to ensure you are set and ready to file W-2s.

If you need help with the registration process, contact 1-800-772-6270. 

Tips for Finding a Paid Tax Preparer or Free Tax Help

If you need help preparing your tax return, choose help wisely. As a taxpayer, you are legally responsible for everything reported on your tax return; whether you prepare it yourself or have someone else prepare it for you.

When selecting an individual or company to prepare your taxes, be sure to:

- Check the person or company's qualifications.
- (Beginning in 2014, only four types of preparers will be authorized to prepare individual returns for compensation: Enrolled Agents, Registered Tax Return Preparers, Certified Public Accountants and Attorneys. Inquire about your preparer's professional status.)
- Check the preparer's history.
- Ask about their service fees.
- Make sure they are accessible after the April due date in case you have a question about your return.

The preparer you choose should:

- Ask you to provide all receipts and records needed to prepare your return.
- Not ask you to direct any part of your refund to an account that is not in your or your spouse's, name.
- Never ask you to sign a blank return.
- Allow you to review the completed return, including all schedules and attachments, and explain it all to you before you sign it.

- Sign the return, include their preparer tax identification number and provide you a copy.

Planning for Tax Time

- Being organized and planning ahead can save time, money and headaches at tax time. Start gathering your records and exploring your options now. You'll have more time when you're not facing a deadline or anxious for your refund.
- Each household's financial circumstances are different, so it's important to fully consider your specific situation and goals before making large financial decisions. And remember, even some legitimate returns may require additional review and take longer to process, so don't count on getting your refund by a certain date to pay for something important.

If you can't afford a paid preparer, there are several options for free tax preparation.

- **E-file** with **Free File** is an option available to most taxpayers with income less than \$58,000. It's available at [IRS.gov](http://www.irs.gov) where a number of tax software companies make their products available for free.
- The **Volunteer Income Tax Assistance** program offers free tax preparation for low-to moderate-income taxpayers. To find a VITA site near you, visit [IRS.gov](http://www.irs.gov), type the word VITA in the search engine and click on "Free tax return preparation for you by volunteers."

- **Tax Counseling for the Elderly** offers priority assistance to people who are 60 years of age and older. To find a TCE site, visit the [AARP locator](http://www.irs.gov).
- Active duty military members and their families can receive free tax preparation assistance at VITA sites within their installations. The volunteer return preparers are trained and equipped to address military specific tax issues.

Free tax preparation assistance is closer than you think, and now finding out where to go for help is just a matter of following a few easy steps.

Resources on the IRS.gov:

Ten Tips to Help You Choose a Tax Preparer <http://www.irs.gov/uac/Ten-Tips-to-Help-You-Choose-a-Tax-Preparer>

On Twitter? Consider using this sample Tweet to inform your customers:

Sample Tweet: *No matter who prepares it, YOU are responsible for your #tax return information. Choose a preparer wisely. #IRS* <http://go.usa.gov/rv6W> 

Online Tax Tools Help You File and Pay Taxes Timely

This filing season, take advantage of a collection of useful [online tools](#) that can help you, your family and friends file and pay taxes timely — from answering tax law questions to checking the status of a refund.

IRS.gov is the best place to go to get tax help. A good starting point is [1040 Central](#) or one of the many online services available including:

- Try the IRS smartphone application, [IRS2Go](#). It can help you get the information you need whenever you need it, wherever you are.
- Find out if you qualify for the [Earned Income Tax Credit](#).
- Get your [Electronic Filing PIN](#), a one-time code used to verify your identity.
- Find out the status of your refund by using [Where's My Refund?](#)
- If you have tax law questions, use the [Interactive Tax Assistant](#) to help find answers.
- The [IRS Tax Map](#) integrates forms, instructions and publications into one research tool, giving you easy access to tax law information by subject.
- Figure the optional amount you can itemize on Schedule A, Form 1040, with the [Sales Tax Deduction Calculator](#).
- Use the [Alternative Minimum Tax Assistant](#) to determine whether you may be subject to AMT.

The [Withholding Calculator](#) can help you avoid having too much or too little federal income tax withheld from your pay. 

New: SSA Field Office Service Changes Coming Later This Year

Social Security will make very important service changes at field offices across the country later this year.

To learn more, visit <http://www.ssa.gov/thirdparty/whatsnew.html> 

**Social Security
Administration**

**Internal
Revenue Service**

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Reporter

Summer 2014

A Newsletter for Employers

Facts about the Individual Shared Responsibility

Most people will not need to do anything more than maintain their current health insurance coverage in 2014. You will report health insurance coverage or exemptions or make any [individual shared responsibility](#) payment when you file your 2014 federal income tax return in 2015.

The [Affordable Care Act's](#) individual shared responsibility provision requires you and each member of your family to either:

- Have minimum essential coverage in 2014, or
- Qualify for an exemption, or
- Make a shared responsibility payment in 2015.

Minimum Essential Coverage

It is important to remember that choosing to make the individual shared responsibility payment instead of purchasing minimum essential coverage means you will also have to pay the entire cost of all your medical care. For more information about minimum essential coverage, check this [minimum essential coverage chart](#) and [see questions 14-20 of our Questions and Answers](#).

Exemptions

You may be exempt from the requirement to maintain minimum essential coverage for all or part of the year and will not have to make a shared responsibility payment in 2015 if you meet certain requirements. Learn more about exemptions in this [chart](#) and in questions 21-24 of our [Questions and Answers](#). Also, see [Healthcare.gov](#) for more information on hardship exemptions.

Individual Shared Responsibility Payment

If you or any of your dependents don't maintain minimum essential coverage and don't qualify for an exemption, you will make an individual shared responsibility payment in 2015.

This payment will be based on the number of months that you do not have coverage or an exemption. Check out these [basic examples of the payment calculation](#) and the federal tax filing requirement thresholds.

If you get your health insurance coverage through the [Health Insurance Marketplace](#), you may be eligible for the [Premium Tax Credit](#) to help make purchasing health insurance coverage more affordable for people with moderate incomes. For more information about your coverage options, financial assistance and the Marketplace, visit [Healthcare.gov](#).

While the individual shared responsibility provision goes into effect in 2014, you won't report health insurance coverage or exemptions or make any individual shared responsibility payment until you file your 2014 federal income tax return in 2015. [IRS.gov/aca](#) will have more information about the process later this year.

Review the [questions and answers](#) and the [final regulations](#) about the Individual Shared Responsibility Payment.

More information will be available later this year on the [Affordable Care Act page](#) of [IRS.gov](#). It's the most up-to-date source for all tax-related Affordable Care Act information.

Tweet: [#IRSTaxTip](#) outlines the Individual Shared Responsibility Payment. [@HealthCareGov](#) [#GetCovered](#) [#IRS](#) [go.usa.gov/BtFH](#) 

Two important SSA changes affect taxpayers

Beginning August 1, 2014, Social Security will no longer issue **Social Security Number (SSN) verification printouts** in their field offices.

Individuals who need proof of their SSN and cannot locate their card, will need to apply for a replacement card, which takes 7-10 business days.

To get a replacement card, the individual must complete an [Application for a Social Security Card \(Form SS-5\)](#) with the necessary associated documentation and either mail it to SSA or go in person to an SSA field office. The replacement card will be mailed to their home.

Beginning October 1, 2014, Social Security field offices will stop providing **benefit verification letters**. Instead, SSA would like individuals to get their benefits documentation online by registering for a [my Social Security](#) account or through their national toll-free number 1(800)772-1213. People can get a benefit verification letter online instantly.

The Social Security Administration is also requesting all federal, state, and local agency partners, who have data exchange agreements with them, to use that electronic process to obtain necessary SSN verifications. Government agencies can go to SSA's

[Data Exchange](#) page for detailed information about the Social Security Administration's data exchange activities and available services.

A [Social Security Administration Factsheet](#), "Important Information: Changes in Certain Services" outlines these delivery changes.

IRS

Compensation for SIMPLE IRA Plan Employer Contributions

Employers who sponsor a SIMPLE IRA plan must choose to contribute for their employees either a:

- 2% nonelective contribution - 2% of each eligible employee's compensation regardless of whether or how much the employee deferred, or
- 3% matching contribution - match of employee's salary deferrals on a dollar-for-dollar basis up to 3% of the employee's compensation.

Compensation limit

The compensation considered for calculating the employer contribution differs depending on the type of employer contribution.

- 2% nonelective contributions are limited by the [annual compensation limit](#). This means you must only consider an employee's compensation up to \$260,000 for 2014.

- 3% matching contributions are calculated using the actual amount of an employee's compensation.

Example 1: In 2014, an employee is 55 years old and has compensation of \$300,000. This employee makes salary deferrals of \$14,500 (\$12,000 plus \$2,500 catch-up contributions) to the SIMPLE IRA plan.

- If the employer makes the 2% nonelective contribution, the employee would receive a \$5,200 employer contribution (2% x \$260,000).
- If the employer makes the 3% matching contribution, the employee would receive a \$9,000 employer contribution (3% x \$300,000).

Salary deferral limit

Although the 3% employer matching contribution considers an unlimited amount of the employee's

compensation, it's based on the amount of the employee's salary deferrals.

Example 2: The SIMPLE IRA plan gives a 3% matching contribution to employees. In 2014, an employee who has compensation of \$500,000 and makes salary deferrals of \$12,000 is limited to a matching contribution of \$12,000 for 2014 (even though 3% x \$500,000 = \$15,000). If the employee was age 50 or older and contributed \$14,500 to the plan (\$12,000 plus \$2,500 catch-up), the employer must make a \$14,500 matching contribution.

Additional resources

- FAQs: SIMPLE IRA Plans
- Publication 560, Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)

IRS

Spanish IRS Tax Calendar Video Featured on YouTube

Small business taxpayers can learn to use the IRS Tax Calendars by following an easy, step-by-step instructional video in Spanish on YouTube or access the new Publication 1518A-SP.

Available in English and Spanish, the online calendars are accessible from computers, smartphones or tablets. Users can view all federal tax due dates for each month and filter those dates to meet their needs. The calendar includes dates for taxpayers who are monthly or semiweekly depositors and for excise tax due dates and other events.

Electronic calendars

- Work with computer, iPhone or iPad
- Subscribe with Outlook 2010, Outlook 2007 or Mac iCal
- Access through smartphone's browser

IRS Calendar Connector

- Access from computer desktop
- Personalize user options
- Automatically updates

Publication 1518A provides information on the online products available either [electronically](#) or in paper version.

Users can access the instructional videos in [Spanish](#) or [English on the IRS YouTube channel](#). IRS

Multi-State Income Taxation: For Which State Must You Withhold?

If your company has operations in more than one state, you may be faced with income tax withholding obligations for more than one state. Sometimes, you may even have to withhold income tax for more than one state from the same employee. Withholding can get even more complicated when you have employees who live in a different state than the one they work in or who perform services in more than one state.

Deciding which state's income tax to withhold can be a confusing process. How do you determine who is a resident and whether you should follow the laws of the state of residence or the laws of the state where services are performed? Not all states answer these basic questions in the same way and, sometimes, state laws conflict.

The default rule of state income tax withholding is to withhold income tax for the state in which services are performed. It can be applied in most situations where the employee lives and works in the same state (assuming it is not one of the nine states without income tax withholding: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming).

Nexus: Business Connection

Nexus is established by having a business presence in a state. An office, store, or factory will create nexus, as will the mere entry of an employee into a state to make a sale or perform a service call. In the withholding context, the employer's concern is whether it has a business connection, or any operations, within a state. If it does, it is subject to the withholding laws of that state. This will make the difference in whether an employer has to withhold income tax for an employee's state of residence even though he or she performs no services there.

If an employer does not have nexus with an employee's state of residence, but there is a reciprocal agreement between the two states, then the employer must honor the reciprocity agreement and not withhold income tax for the state where the employee works. However, the employer is not obligated to withhold income tax for the state where the employee lives because the employer does not have nexus with the resident state. In that situation,

the employee will have to make estimated income tax payments.

If an employer does not have nexus in a state where an employee has income tax liability, it can choose to establish a withholding account in that state and begin withholding as a courtesy to employees. However, the payroll department should check with the corporate tax and legal departments because once you voluntarily register for one tax, you may receive inquiries from the state about other taxes for which you are not liable, such as sales or corporate income tax. Also, in some states, withholding and paying over taxes can make your company subject to legal process in that state.

Withholding Rule No. 1: Resident Defined

Three other withholding rules may have to be considered when using the default rule is not clearly indicated. The first determination is the state of residence of the employee. This is because a resident of a state is subject to the laws of that state, including its income tax laws. Furthermore, states have varying policies on withholding from residents who perform services in another state and from nonresidents who perform services within the state. To locate and apply the policies correctly, you'll need to know which state(s) can claim the employee as a resident.

Employees commonly claim that they are a resident of their "home" state. If the employee has relocated to work for you, she may assert the former state is her state of residence because a home or family exists there. It's up to you to locate and follow the rules of the appropriate state. Most states have a two-pronged definition of residency, outlining that someone will be a resident by either: being domiciled in the state, or spending more than a certain number of days in the state.

Withholding Rule No. 2: Reciprocity

If an employee performs services in a state other than the state of residence, you must find out whether the two states have a reciprocal agreement. A reciprocal agreement allows you to withhold only for the state of residence, as opposed to the state in which services are performed.

The general purpose of reciprocity is to make things administratively easier for the employee and employer. The employee will only have to file one state personal income tax return, and the employer will withhold only for the state in which the employee lives. This is especially helpful if you have an employee who performs services in two or more states that have reciprocity with the state of residence. Without reciprocity, the employer would have to withhold for all three jurisdictions based on the time worked in each one. On the other hand, the presence of a reciprocal agreement requires you to change the state of withholding and reporting if the employee moves her residence from one state to another, even though there has been no change in the state in which the services are performed.

Withholding Rule No. 3: Resident/Nonresident Taxation Policies

If an employee is a resident of one state but performs services in another, and there is no reciprocal agreement, you must consider the laws of both states. The correct determination of the state of residence (Rule No. 1) is very important in these situations because it tells you which state's laws you may need to consider in addition to those of the state in which the employee works.

The state in which the services are performed will almost always require withholding from nonresidents who come into the state to work (withholding only from the wages for services performed in that state). A few states have exceptions to this, usually based on a time worked or money earned threshold. In general, an employer is always subject to the laws of any state in which it has an employee performing services, whether or not the employer has a facility in the state.

The employee's state of residence may also need to be considered even if the employee doesn't work there. If the employer has a business connection (nexus) with the state where the employee resides, the employer is subject to the laws of that state, and may be required to withhold that state's income tax in addition to the tax for the state in which the employee is working. **APA**

Video Series Guides You Through IRS Audit

Did you receive a notice from the IRS that your business is being audited?

First, you should reply as directed. Second, if you've never been audited, do some homework - it's easy!

The Internal Revenue Service has an online video series called, [Your Guide to an IRS Audit](#). It follows three

hypothetical small business taxpayers step-by-step through an audit from notification to closing.

By simply watching this video series, you can become more familiar and knowledgeable about the audit process. The videos shows how best to prepare for an audit, demonstrates process steps, outlines responsibilities and answers frequently asked questions.

The series has ten stand-alone lessons viewers can select and watch in any sequence. A bookmark feature makes it possible to leave and return to a specific point within the lesson.

Also check out the [IRS Audit](#) Web page, which includes answers to many [frequently asked questions](#). 

Delinquent Retirement Plan Returns

You may qualify to file your business's past due retirement plan returns without paying late filing penalties. The IRS has two separate programs that waive certain late penalties.

Form 5500-EZ Late Filers Pilot Program

This program is for non-ERISA plans:

- covering only a 100% business owner or one or more partners, and their spouses (with no common law employee participants), or
- being maintained outside the U.S. primarily for non-resident aliens (foreign plans) that must annually file a report with the IRS.

The IRS will waive late filing penalties for:

- Form 5500-EZ, *Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan*, or
- Form 5500, *Annual Return/Report of Employee Benefit Plan*, if you were required to file this return because your non-ERISA plan didn't meet

the Form 5500-EZ filing requirements for plan years before 2009.

You must file the past due returns between June 2, 2014 and June 2, 2015, and comply with other [requirements \(Revenue Procedure 2014-32\)](#). No fees or other payments are required under the pilot program.

Form 5500 series returns and Form 8955-SSA

This relief is for all other plans (those covered by Title I of ERISA). The IRS has made a change in this program and will now only waive late filing penalties for filers who:

1. satisfy the Department of Labor's [Delinquent Filer Voluntary Compliance Program](#) requirements for:
 - o Forms 5500, *Annual Return/Report of Employee Benefit Plan*, or

- o Form 5500-SF, *Short Form Annual Return/Report of Small Employee Benefit Plan*;

2. file a paper Form 8955-SSA, *Annual Registration Statement Identifying Separated Participants With Deferred Vested Benefits*, (if applicable) with the IRS for the same delinquent tax year filings; and
3. meet certain other [requirements](#).

Additional resources

- [Form 5500 Corner](#)
- [Form 8955-SSA Resources](#)
- [Notice 2014-35](#)



Retirement Plans Recent Developments

There are many recent developments that may affect your retirement plan. Here are some items you may want to review:

- [Treatment of Marriages of Same-Sex Couples for Retirement Plan Purposes](#) – how participants' marital status affects payment of benefits.
- [Mid-Year Plan Amendments Related to Marriages of Same Sex Couples](#) – allowed for safe harbor 401(k) and 401(m) plans to reflect same sex marriage rules.
- [Verifying Rollover Contributions](#) – simplified due diligence procedures for plan administrators.

- [Disaster Relief for Retirement Plans and IRAs](#) – certain retirement plan or IRA deadlines may be extended.
- [Retirement Plan Payments for Accident, Health and Disability Insurance](#) – requirements for when payments are not considered taxable distributions to participants.
- [New Two-Year Period to Adopt Pre-Approved Defined Contribution Plans](#) – employers must adopt new plans by April 30, 2016.
- [MyRA Program](#) – Fact Sheet, FAQs and video in English and Spanish.

To make sure that 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 to get access other retirement plan resources, such as:

- Information for plan sponsor/employer
- Types of retirement plans
- Retirement plans FAQs
- Forms and publications
- Correcting plan errors

Mid-Year Plan Amendments Related to Marriages of Same Sex Couples 

Get Free Online Training and Get Ahead

Whether you are an employee, employer, federal contractor, human resources professional, or worker advocate, the Department of Homeland Security (DHS) offers a variety of [Form I-9](#) and [E-Verify](#) webinars - free and convenient training opportunities to [learn about employment eligibility verification](#), employer responsibilities, employee rights and special considerations for federal contractors!

[Check out the latest schedule or request a customized webinar](#) for your team today!

What is a Webinar?

A Webinar is a live Internet-based seminar that you can attend from your office. [Form I-9](#) and [E-Verify webinars](#) are interactive so you will have the opportunity to ask questions.

What Webinars Are Available?

Below is a summary of the English language webinar offerings.

Webinar Title	Webinar Description
E-Verify Overview	Overview and demonstration of E-Verify, how it works, features, how to enroll and employer responsibilities.
E-Verify For Existing Users	Detailed overview of E-Verify including how to handle a TNC, and common user mistakes, for employers already enrolled in E-Verify.
Federal Contractor E-Verify	Overview of E-Verify, for employers awarded a Federal contract with the FAR E-Verify Clause.
Form I-9	Overview of the Form I-9 process, completion, retention and storage.
Self Check	Overview of Self Check, a free service that allows employees to check their own work eligibility.
Employee Rights	Overview of employee rights and anti-discrimination provisions in employment eligibility verification. Useful for workers and worker advocates, job seekers and employers.

Want More Webinar Options?

Looking for more specific training? [Contact DHS experts to get customized webinar training](#) for small to large groups on a day and time that's convenient for you.

Are Spanish Language Webinars Available?

Each month, DHS offers several Spanish language webinars on Employee Rights, E-Verify and Form I-9. [Customized Spanish language](#) webinars are also available upon request.

How Much Time Do I Need?

Most webinars are 60 minutes long. Also, pre-registration is not required, unless a register link is displayed next to the session. [Choose the session you wish to attend](#), add it to your calendar, then return to this page to login as early as 10 minutes before the session starts.

How Do I Get Started?

Webinars are the new seminars and because Form I-9 and E-Verify webinars are free there's no need to wait. [Check out the latest schedule](#) or [request a customized webinar](#) for your team today! 

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](#)).



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IRS.gov has resources for taxpayers with limited English proficiency

IRS.gov provides one-stop shopping for taxpayers with limited English proficiency.

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. 



Social Security Administration

Internal Revenue Service

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Fall 2014

A Newsletter for Employers

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**

E-Verify Acts on Employer Feedback

[E-Verify](#) is recognized by its users for giving excellent customer service and being responsive to stakeholder feedback. E-Verify is the free online service from the Department of Homeland Security that more than half a million enrolled employers use to quickly verify the employment eligibility of new employees.

In recent customer surveys, users rated E-Verify very highly in terms of performance, usability and satisfaction. E-Verify received an overall customer satisfaction score of 86 in the [2013 American Customer Satisfaction Survey](#). This far surpassed the federal government average of 66. In specific elements of the program, E-Verify scored very high, earning 95 for its photo matching process and 92 for customer service. Other user surveys have given E-Verify similar results.

E-Verify was also acknowledged with the [2014 Annual Government Customer Satisfaction Award](#) from the Federal Consulting Group of the U.S. Department of Interior for outstanding use of analytic tools to improve customer satisfaction. The award cited the improvements to

the E-Verify website and customer service in response to feedback collected on survey instruments.

Users also praise E-Verify for its active engagement with the public. E-Verify is one of the first government programs to use crowd-sourcing to gather ideas from stakeholders to improve its service delivery.

[E-Verify Listens](#) was launched in 2012, and now has over 480 participants contributing, discussing and voting on ideas related to E-Verify and the employment eligibility verification Form I-9 which is used by all U.S. employers. Eleven ideas submitted by the public have already been implemented.

E-Verify recently held its first virtual forum, attended by more than one thousand employers. The program also offers free *webinars* on employment eligibility verification topics each month. [Subscribe](#) to the [E-Verify Connection](#) newsletter for updates about Form I-9 and E-Verify.

DHS

Supreme Court Rules Severance Pay is Wages

In a significant victory for the government, the United States Supreme Court, in a unanimous 8-0 decision, ruled that severance payments are wages subject to FICA tax. *United States v. Quality Stores, Inc.*, No. 12-1408, 2014 WL 1168968 (March 25, 2014).

Although the amount involved in this case was about \$1 million, according to court papers filed by the government, the total amount at issue, taking into consideration the

potential scope of similar cases and pending refund claims, was in excess of \$1 billion.

Previously, in this case, the Sixth Circuit held that severance payments to involuntarily terminated employees due to a business downsizing constitute supplemental unemployment compensation benefits and are not taxable as wages under FICA. 693 F.3d 605 (6th Cir. 2012). The Sixth Circuit's holding directly conflicted with the holding of the

Federal Circuit in *CSX Corporation v. United States*, 518 F.3d 1328 (Fed. Cir. 2008), which held that similar payments were wages subject to FICA tax. The Supreme Court's ruling resolves the issue for the entire United States. As a result of the decision, the Service will disallow all claims for refund of FICA taxes on severance pay. **IRS**

APA Seminar/Webinar: Year-End Compliance and New Rules for 2015

The American Payroll Association's *Preparing for Year-End and 2015* provides updates on the latest changes in legislation and regulations that affect the close of 2014 and the first payroll of 2015, including:

- how to properly prepare for the next steps in implementation of the Affordable Care Act,
- developing an effective and efficient year-end processing plan,
- applying the IRS' rules for benefits provided to partners in a same-sex marriage, and

- questions payroll needs to ask other departments to make sure it has all the information necessary to complete the year-end process.

Any of the one-day seminars can be attended at locations around the country. If you cannot get out of the office, all four segments of the class are offered as webinars online, both live and on demand. Other seminars/webinars are offered by the APA that have been customized for 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 APA's [website](#) and look under the Specialty Seminars or Webinar headings for the version of *Preparing for Year-End and 2015* 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](#). **APA**

Enhancement to Business Services Online's Wage File Upload Application for Tax Year 2014

For Tax Year 2014 filers, Business Services Online is adding the capability to check the content of all submissions in the Wage File Upload application using some of the same edits contained in the free AccuWage/AccuW2c downloadable software. To make it easy, while you are online, we will complete 67 of the most commonly failed edits and

checks during your upload. We will then present you an immediate result.

We will assign a Wage File Identifier to all submissions passing the edits and checks and the receipt page will display. If we find errors in the file, it will not be assigned a WFID and we will ask you to correct the errors using Social Security's

free AccuWage/AccuW2c software. When you have corrected the errors, upload the file to us again. This upload will be treated as a new submission, not a resubmission and your submission will then be assigned a WFID. **SSA**

New Business Services Online Status for Paper Submission Rejections

With heightened security awareness, many users do not want their wage reporting submission results delivered on paper notices. New capability available for Business Services Online in December will allow paper submitters to view the notice for a paper submission rejection. In BSO, paper filers can create a

USERID, choose their own password, request the Wage Reporting role and see why exactly we rejected their submission.

Paper filers will be able to use the "Status" application in BSO to receive the same view of error information that electronic submitters currently enjoy today.

Information for electronic and paper submissions is available using BSO, allowing users to continue to use their BSO USERID and password to look up information on W-2s filed with SSA year after year, regardless of whether filed on paper or over the Internet. **SSA**

Multilanguage Gateway has Information You Can Use

The Multilanguage Gateway is your resource for Social Security Administration non-English publications!

- 17 languages
- A video in American Sign Language (ASL)
- A factsheet showing what publications are available

Social Security strives to deliver effective, well-organized, and great service to the public that includes providing access to our programs and services, regardless of the ability to speak, read, or write English. We want to make it easier for anyone with Limited English Proficiency to communicate effectively with us in person, over the phone, in writing, or through electronic media and services.

The MLG contains information to help LEP persons understand the benefits offered under our Retirement, Disability, Survivors, Medicare and Supplemental Security Income programs. The MLG also provides publications on Work and Earnings.

Go to our [Multilanguage Gateway](#) and select a language to see the publications available. You can view or print publications at home or save to a smartphone. Please share this with family members and friends to increase the awareness of our programs. **SSA**

How to Create a my Social Security Online Account

To create an account, you must provide some personal information about yourself and give us answers to some questions that only you are likely to know. Next, you create a username and password that you will use to access your online account. This process protects you and keeps your personal Social Security information private.

Note: You can only create an account using your own personal information and for your own exclusive use. You cannot create or use an account on behalf of another person, even if you have that person's written permission. You can never share the use of your account with anyone else under any circumstances. Unauthorized use of my Social Security is a misrepresentation of your identity to the federal government and could subject you to criminal or civil penalties, or both. **SSA**

My Social Security is Available Online

At each stage of your life, [my Social Security](#) is for you. Your personal online my Social Security account is a valuable source of information beginning in your working years and continuing throughout the time you receive Social Security benefits.

If you receive benefits or have Medicare, you can:

Use a [my Social Security](#) online account to:

- Get your [benefit verification letter](#);
- Check your benefit and payment information and your earnings record;
- [Change your address](#) and phone number; and
- [Start or change direct deposit](#) of your benefit payment.

If you do not receive benefits, you can:

Use a [my Social Security](#) online account to:

- Get your Social Security Statement, to review;
- Estimates of your retirement, disability, and survivors benefits;
- View your earnings record; and
- View the estimated Social Security and Medicare taxes you've paid.

Get a [benefit verification letter](#) stating that:

- You never received Social Security benefits, Supplemental Security Income (SSI) or Medicare; or
- You received benefits in the past, but do not currently receive them. (The letter will include the date your benefits stopped and how much you received that year.); or
- You applied for benefits but haven't received an answer yet. **SSA**

The Faces and Facts of Disability

Social Security touches the lives of nearly every American, often during times of personal hardship, transition, and uncertainty. Our programs serve as financial protection for working men and women, children, the disabled, and the elderly. We run the largest disability program in the nation. We want to ensure the American public understands this important program and has a clear picture of the individuals living with severe disabilities helped by our program.

We launched a new national communications campaign, [The Faces and Facts of Disability](#). The campaign's goal is to increase public awareness of the Social Security Disability Insurance (SSDI) program. View facts on our program and hear personal stories. We encourage you to help us serve by becoming aware of the SSDI program. **SSA**

U.S. and Slovak Republic Agreement in Place

Do you have U.S. employees working in the Slovak Republic? Do you have Slovak personnel working in the United States? If so, you may be able to realize substantial tax savings under a new Social Security Agreement. A new Agreement with the Slovak Republic became effective May 1, 2014.

The Agreement helps reduce business costs by eliminating double taxation for old-age, survivors, and disability insurance under the U.S. and Slovak systems. Before the Agreement, U.S. companies that employed U.S. citizens in the Slovak Republic often paid full Social Security old-age, survivors, and disability insurance taxes to both the United States and

the Slovak Republic on the same earnings, as well as contributions for U.S. Medicare and certain additional Slovak benefit program costs. Frequently, Slovak companies with Slovak personnel in the United States also paid taxes to both countries. The combined U.S. and Slovak contribution rate could amount to a substantial portion of a worker's salary. Under the Agreement with the Slovak Republic, these workers and their employers are covered and taxed under either the U.S. Social Security and Medicare system or under the Slovak Social Security system, but not both.

The Agreement also helps fill gaps in benefit protection for people who have divided their careers

between the United States and the Slovak Republic. Under the Agreement with the Slovak Republic, workers and their families may qualify for partial U.S. or Slovak Social Security benefits based on combined credits from both countries.

In addition to the new Agreement with the Slovak Republic, the United States has Social Security Agreements with 24 other countries. If you want to know more about any of these Agreements, please visit [Social Security's website](#) or call Social Security's Office of International Programs at (410) 965-7306. **SSA**

Open a my Social Security Account to Learn About Benefits

September 28 is National My Social Security Sign-up Week. A personal online [my Social Security](#) account is a valuable source of information beginning from the time an individual starts working and continuing throughout the time they receive Social Security benefits. For more information, go to the Social Security [website](#) and enter "my Social Security account" in the upper right hand search box.

Setting up a my Social Security account is easy. To [create an account](#), an individual provides some personal information and answers to some questions that only they are likely to know. Next step is to create a username and password to access their online account. This process keeps personal Social Security information private.

With a my Social Security account, members of the public with Internet access can obtain benefit verification information, update their personal information and start or change direct deposit of their benefit payment.

Even if an individual does not receive benefits, they may use a my Social Security online account to review their Social Security statement, earnings record and estimates of retirement, disability, and survivors benefits.

Reminder: As of August 1, 2014, Social Security will no longer issue Social Security Number verification printouts in their field offices. Individuals who need proof of their SSN and cannot locate their card, will need to apply for a replacement card, which takes 7-10 business days. But, Social Security recently [announced](#) that local Social Security offices would continue to provide benefit verification letters until further notice rescinding an earlier announcement that it would stop issuing these letters on October 1. **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](#)).



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Form 8922, Third-Party Sick Pay Recap

Beginning with tax year 2014 (processing year 2015) taxpayers will file [Form 8922](#) with IRS. For tax year 2014 a paper Form 8922 is required. This form replaces the Third-Party Sick Pay Recaps that were filed on Form W-2 and Form W-3 with SSA. The reporting of third-party sick pay recaps to the SSA ends after tax year 2013. Other reporting requirements for third party sick pay remain unchanged. Thus, third parties or employers are still required to report sick pay paid to individual employees on Forms W-2 and to report the wages. Federal Insurance Contributions Act (FICA) taxes and income tax withholding on employment tax returns.

The purpose of filing Form 8922 is to reconcile employment tax returns (for example, Form 941) with Forms W-2 when third-party sick pay is paid by a party other than the employer and when the liability for Federal Insurance Contributions Act (FICA) taxes is split between the third party and the employer for which services are normally per-

formed. The draft Form 8922 and Instructions are available on [irs.gov](#).

- If the employer is reporting the third-party sick pay to its employees on Form W-2, the third party (insurer/agent) files Form 8922 with respect to the sick pay. If the third party is reporting the third party sick pay paid to the employer's employees on Form W-2, the employer should file Form 8922 reporting the sick pay.

There are boxes on Form 8922 to indicate whether the filer is an employer or an insurer/agent. If the Employer box is checked, the employer must provide the name and EIN of the third party (insurer or agent). If the employer has contracts with more than one third party, the employer must file a separate Form 8922 for the wages and taxes related to each third party.

However, if the Insurer/Agent box is checked, the third party (insurer or agent) has three options in satisfying its obligation to file Form 8922:

(1) The third party may provide one Form 8922 including total third-party sick pay paid on behalf of all employers without providing names and EINs of any employer; or

(2) The third party may, (but is not required to), provide the name and EIN of the employer on separate, Forms 8922 for each employer with the sick pay wages and associated taxes; or

(3) The third party may provide names and EINs for some employers and file separate Forms 8922 for each employer with respect to which it is providing names and EINs, and then file one other Form 8922 including the total third-party sick pay paid on behalf of all other employers for which it is not providing names and EINs.

Form 8922 for 2014 sick pay must be filed by March 2, 2015.

For more information, see Sick Pay Reporting in Publication 15-A, *Employer's Supplemental Tax Guide*. 

IRS Wants Your Help to Reduce Taxpayer Burden

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 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. 

eTerm is the Federal Office of Child Support Enforcement's Newest Application in e-Service

Electronic Termination is here.

- Employers using OCSE's electronic income withholding order (e-IWO) process can notify non-e-IWO states about employee terminations or that an individual has never worked for them using the existing e-IWO process.
- Non-e-IWO states can access the information using the eTerm application on OCSE's State Services Portal.
- Employers not using the e-IWO process can notify states about terminations and employment status using eTerm application on Employer Services application on OCSE's portal.

- Employers using the eTerm application can enter terminations one-by-one or upload a file containing termination information about many employees. After employers provide terminations, OCSE generates an e-mail to the state child support agency letting them know that there are terminations available for them to view or download on the portal. No paper!
- All of the electronic processes offered by OCSE to employers including [e-IWO, Lump Sum reporting](#), and eTerm are extremely cost effective ways to share information and saves paper, time, and resources!

How can employers access eTerm?

- Employers who are already registered and using the Debt Inquiry Service (DIS) application on OCSE's portal will automatically be enrolled in eTerm.
- Employers not registered for the DIS application must register to use the Employer Services application, which includes access to both the eTerm and Lump Sum reporting applications by completing a registration form.

For more information, contact Robyn Large at robyn.large@acf.hhs.gov. 

Taxation of International Students – Are You Making the Grade?

As temperatures start to drop and the leaves begin to change, you may notice parents cheering and children lamenting as another school year commences. This exciting time not only affects American teachers and students, but extends to foreign students and scholars traveling to America in search of education and learning opportunities. However, these individuals who are temporarily present in the United States as students, trainees, scholars, teachers, researchers, exchange visitors, and cultural exchange visitors are subject to special rules with respect to the taxation of their income.

Resident vs. Nonresident Alien

The taxation and reporting of income earned by foreign citizens (aliens) working in the United States depends on whether the employee is a resident or nonresident alien. In general, resident aliens are taxed on their worldwide income and their employers treat them the same way they treat U.S. citizens. Nonresident aliens, however, are taxed only on their income from U.S. sources, with some exceptions.

Nonresident aliens are subject to the same federal income tax withholding requirements as other employees for all of their income that is from U.S. sources. To accomplish this, employers must obtain each nonresident alien employee's social security number and have the employee complete a Form W-4, *Employee's Withholding Allowance Certificate*. Wages paid to and taxes withheld from nonresident alien employees must be deposited and reported by the employer the same way it does for all other employees, on Forms 941 and W-2. The employer must also retain a completed Form I-9, *Employment Eligibility Verification*, attesting to the employee's identity and authorization to work in the United States.

Special Instructions for Form W-4

Just like any other employee, a nonresident alien should give the employer a valid, completed Form W-4 so the employer can determine how much federal income tax to withhold. However, there are special instructions that must be followed (rather than those appearing on the Form W-4) because of certain restrictions nonresident aliens face regarding their filing status, number of allowances, and inability to claim the standard deduction on their personal tax returns.

- Line 2. Nonresident aliens must enter a social

security number on Line 2. If they don't have one, they need to apply for one on Form SS-5, Application for a Social Security Card. They cannot enter an Individual Taxpayer Identification Number (ITIN) on Line 2.

- Line 3. Nonresident aliens must request withholding as if they are single, regardless of their actual marital status.
- Line 5. Nonresident aliens can claim only one withholding allowance on Line 5 unless they are residents of Canada, Mexico, South Korea, or are U.S. nationals. Students and business apprentices from India may also claim additional allowances under certain circumstances.
- Line 6. Nonresident aliens must write "Nonresident Alien" or "NRA" above the dotted line on Line 6.
- Line 7. Nonresident aliens cannot claim "Exempt" withholding status on Line 7.

Withholding Rules

Employers must follow a two-step process when withholding federal income tax from the wages of nonresident alien employees.

- Step 1. Add the amount listed in Publication 15 (Circular E), *Employer's Tax Guide*, corresponding to the employee's payroll period (e.g., weekly, biweekly, semimonthly, etc.) to the nonresident alien employee's wages for that payroll period.
- Step 2. Use the amount calculated in Step 1 to figure out income tax withholding using the tables that are used to figure income tax withholding for all other employees.

Social Security and Medicare Taxes

Amounts earned by nonresident aliens as students, scholars, or exchange visitors under an F, J, M, or Q visa are not subject to social security or Medicare tax if the work they perform is carried out to further the purpose for which they entered the United States. The exemption does not extend to the spouse or children of such nonresident aliens, who may be admitted under a derivative visa.

Scholarships and fellowships granted to nonresident alien students are exempt from social security and Medicare taxes to the same extent they are exempt from federal income tax withholding.

Federal Unemployment Tax

In general, federal unemployment (FUTA) tax applies to all wages paid for work performed in the United States, regardless of the citizenship or residency status of the employee or employer. This is

true for nonresident aliens even though the employee may be exempt from federal income tax. The exemptions from FUTA for wages received and work performed by nonresident aliens in the United States are the same as those applicable to social security and Medicare taxes, although there are no international agreements exempting temporary employment by a nonresident alien in the United States.

Foreign Students Receiving Scholarships or Fellowships

Scholarships and fellowships granted to nonresident alien students to cover tuition and related expenses (e.g., fees, books, supplies, and required equipment) are exempt from federal income tax withholding and reporting if the students are degree candidates and are temporarily in the United States as nonimmigrants under F, J, M, or Q visas. Payments that do not qualify for the exemption because they are unrelated to tuition (e.g., food, lodging, etc.) are subject to withholding at a rate of 14 percent.

If the nonresident alien student receiving scholarship or fellowship money is not a degree candidate, the payments are included in income and are subject to federal income tax withholding of 14 percent if the grantor is listed below. If the payment is not from a grantor listed below, the withholding rate is 30 percent.

- a tax-exempt organization under IRC §501(c)(3);
- a federal, state, or local government agency;
- a foreign government;
- an international organization; or
- a binational or multinational educational or cultural foundation or commission created under the Mutual Educational and Cultural Exchange Act of 1961.

If a nonresident alien student receiving a scholarship or fellowship is required to perform teaching, research, or other work as a condition of receiving the scholarship, the student is receiving gross income unless all candidates for the same degree are required to do the same work. The income is determined by reference to payments made for similar work to individuals who are not receiving a scholarship or fellowship and is subject to withholding at regular rates. **APA**

No Late Filing Penalties for a Limited Time

The IRS has a new penalty relief program for small businesses who haven't filed:

- Form 5500-EZ, Annual Return of One-Participant (Owners and Their Spouses) Retirement Plan, and
- Form 5500, Annual Return/Report of Employee Benefit Plan, if you must file this return because your non-ERISA plan doesn't meet the filing requirements for Form 5500-EZ for plan years before 2009.

You must file by June 2, 2015 to avoid penalties.

The program is for businesses whose retirement plan only provides benefits for the 100% owner or one or more partners and their spouses (no common law employee participants). The program also allows some foreign-owned businesses to avoid the late filing penalties.

By meeting the program's requirements, you may be able to avoid paying late filing penalties, which can be as high as \$15,000 per delinquent return. Watch the video [Form 5500-EZ Pilot Penalty Relief Program](#) (1.55 min.) for additional details.

If your business has a retirement plan, immediately check your records to ensure you have filed any required returns for the plan. If you haven't, file all delinquent returns before June 2, 2015.

Additional resources

- [New Penalty Relief Program for Form 5500-EZ Late Filers](#)
- [Transmittal schedule](#) for the penalty relief program
- [Get prior year forms](#) – enter 5500-EZ in the Find box
- [Changes to IRS Penalty Relief for DOL DVFC Filers of Late Annual Reports](#)
- [Form 5500 Corner](#) 

IRS Retirement Plan Resources

Having your business sponsor a retirement plan is a great way for you and your employees to save for retirement. IRS Employee Plans has many resources to help you with retirement plans.

Choose a plan

- [Choosing a plan](#) – compare retirement plan options if your business doesn't already have a plan or if you want to review whether your current plan meets your needs.
- [Plans for self-employed people](#) – consider your options to save for retirement on a tax-deferred basis.

Avoid mistakes

- [Plan sponsor's responsibilities](#) – get tips to keep your plan running smoothly.
- [Checklists](#) – use these one-page checklists to start a quick review of your plan.

ACA Resources for Individuals and Families Available on IRS.gov/aca

The Affordable Care Act, or Health Care Law, adds new health insurance coverage and financial assistance options for individuals and families.

[IRS.gov/aca](#) explains the tax benefits and responsibilities for individuals and families. This includes information about the [individual shared responsibility](#) provision and [premium tax credit](#) provision. It also provides basic information about how health insurance choices you make may affect the tax return you file.

IRS electronic publications include:

- [Publication 5093](#) – Healthcare Law Online Resources
- [Publication 5120](#) – Facts about the Premium Tax Credit
- [Publication 5121](#) – Facts about the Premium Care
- [Publication 5152](#) – Premium Tax Credit – Report changes in circumstances to the Marketplace when they happen
- [Publication 5156](#) – Facts about Individual Shared Responsibility Provision
- [Publication 5172](#) – Facts about Health Coverage Exemptions

Watch the IRS YouTube videos for an overview of the Individual Shared Responsibility Provision and the Premium Tax Credit. Subscribe to [Health Care Tax Tips](#) to understand the tax provisions of health care law.

IRS.gov/aca has the most updated information about the [Affordable Care Act Tax Provisions for Individuals and Families](#). IRS.gov/aca also provides information about rules and responsibilities for employers, as well as tax provisions for insurers, tax-exempt organizations and other businesses. 

- [Internal controls](#) – learn how these procedures can help you find and prevent plan mistakes.

Correct mistakes

- [Correct Your Retirement Plan Errors](#) – read why it's important to fix plan errors.
- [Fix-it Guides](#) – correct common plan errors, many times without even notifying the IRS.

Additional resources

- [Tax information for plan sponsor/employer](#) – access additional information on retirement plans.
- [Retirement News for Employers](#) – subscribe to this free electronic newsletter to receive practical retirement plan information for employers/plan sponsors.

