

Social Security Administration

Internal Revenue Service

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Reporter

Winter 2012

A Newsletter for Employers

Business Services Online Electronic W-2 Filing User Handbook (EWR Handbook)

Don't know how to file wage reports electronically? No problem since the Business Services Online Electronic W-2 Filing User (EWR) Handbook answers all your questions!

The EWR Handbook offers a tabbed format by the following topics:

- **Overview:** Includes an introduction, changes for tax year 2011, system requirements, security, EWR availability, and important dates and times;
- **Getting Access:** Includes registration instructions (including links), lists the wage reporting services, and account maintenance information;
- **Using the Services:** Includes a chart to help you determine one of our filing methods;
- **Help for W-2 Filing:** Includes links and other contact information for Business Services Online help; and
- **Contact Social Security:** Includes the phone number and hours to contact Social Security for non-wage reporting programs and benefits.

Learn More Online

- [User Handbook For Tax Year 2011 - Electronic W-2/W-2c Filing](#)
- [User Handbook for Tax Year - Electronic W-2 Filing \(pdf\)](#)
- [Business Services Online Registration and Access to Services Handbook](#)

Important Dates

- December 8, 2012—Business Services Online will begin accepting tax year 2012 wage (W-2) files.

- January 31, 2013 – Employers must have provided W-2s to employees.
 - February 28, 2013 – Employers must have sent paper W-2s to Social Security
 - April 1, 2013 – Employers must have submitted electronic W-2 files to Social Security.
- Note:** IRS considers paper W-2s sent after February 28 and electronic W-2s sent after April 1 as late and subject to penalties.

Get Your Social Security Statement Online

You online Statement provides:

- Estimates of the retirement and disability benefits you may receive;
- Estimates of benefits your family may get when you receive Social Security or die;
- A list of your lifetime earnings according to Social Security's records;
- The Social Security and Medicare taxes you've paid;
- Information about qualifying and signing up for Medicare;
- Things to consider for those age 55 and older who are thinking of retiring;
- General information about Social Security for everyone;
- The opportunity to apply online for retirement and disability benefits; and
- A version of your Social Security Statement you can print.

Learn More Online

[Get Your Social Security Statement Online](#) **SSA**

Loans from Retirement Plans

Like many people these days, some of your employees may be experiencing financial hardships and need access to the money in their retirement plans. Under certain circumstances, employees might be eligible for a loan from their retirement plan accounts. Below are questions you may have in helping your employees.

Can my employees get a loan or withdraw money from their retirement plan?

Although not required to do so, many retirement plans offer loans. Check your retirement plan documents, such as a copy of the plan or the summary plan description, to see if your plan provides loans. Remember, the law does not permit loans from IRA-based plans, such as SEPs and SIMPLE IRA plans.

What is the difference between a loan and a hardship withdrawal?

A loan is an amount employees can borrow from their retirement plan accounts and then pay back with interest. As long as the employee repays the borrowed amount, it is not taxed and the employee's retirement plan account balance is restored by the amount borrowed. Employees are not required to prove financial hardship to get a loan.

A hardship withdrawal is an amount that employees can receive from their retirement plan accounts and do not have to pay back. The amount withdrawn permanently reduces their account balance. To be eligible for a hardship withdrawal, employees must meet the requirements of a hardship withdrawal as stated in your plan. Usually, this means the employees must prove they have an unforeseeable financial hardship they cannot meet through any other available means, including a loan, if available, from the plan. Employees will have to pay taxes on the withdrawn amount.

How can employees get a loan from the retirement plan?

If the plan allows loans, it will outline the procedures employees need to follow to get the loan. Typically, employees will need to fill out loan forms and sign a repayment agreement outlining the number, the amount, and the due dates of repayment. The employees must pay interest on the amount borrowed and, depending upon the terms for loans as stated in your plan, may have to agree to repay the loan using automatic deductions from their future wages. The plan may limit the amount of money employees

can borrow, but the maximum amount the plan can loan is:


- the greater of: \$10,000, or 50% of the employee's vested account balance; or
- \$50,000, whichever is less.

This limit applies to all of the combined plans of the employer, including any plans under common control. The plan must consider all of an employee's outstanding loans when determining the maximum amount he or she can borrow.

What are the tax consequences of failing to repay a loan?

The law does not consider a loan taxable income as long as the employee repays the loan. If they fail to repay the loan, the unpaid amount is taxable income in the year they fail to repay it and is subject to an additional 10% early withdrawal tax unless some [exception](#) to this early withdrawal tax applies.

Additional Resources:

[Publication 575, Pension and Annuity Income](#), for more on loans
Frequently Asked Questions on [loans](#)
[Participant Loans in 401\(k\) Plans](#)
[Plan Loan Failures and Deemed Distributions](#) 

Free Tax Help Available Nationwide During the Tax Filing Season

During the 2013 filing season thousands of free tax preparation sites will be open nationwide as the Internal Revenue Service continues partnerships with nonprofit and community organizations, providing free tax help for low- to moderate-income and elderly taxpayers.

The IRS Volunteer Income Tax Assistance (VITA) Program generally offers free tax help to people who earn about \$50,000 and less. The Tax Counseling for the Elderly (TCE) Program provides free tax help for all, with priority assistance to people who are 60 years of age and older. As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide counseling program, nationwide during the filing season.

This year at select sites, taxpayers have an option to prepare their own free simple federal and state tax return using web-based tax preparation software. This is helpful to individuals who do not want to

wait in line at a site and may only need a little help to get started; or do not have access to a computer or the internet. This program will also benefit computer-savvy individuals who generally cannot access technology outside of the workplace.

There are trained IRS-certified volunteers at all VITA and TCE sites, and many sites have multilingual volunteers who can assist people that speak little English. So if an individual has a tax question, while preparing their own return, a certified volunteer will be available to help.


In addition to free tax return preparation assistance, VITA and TCE sites provide free electronic filing. An electronic filed tax return means a fast refund.

To locate the nearest VITA site, taxpayers should go to www.irs.gov, type the word VITA in the search engine and click on "Free tax return preparation for you by volunteers." From there, a link labeled Find a

VITA site near you will take you to an application to help you locate a free tax preparation site near your zip code.

To locate the nearest AARP Tax-Aide site visit AARP's Internet site or call 888-227-7669.

FREE tax help is closer than you think, and finding where to go is just a matter of a few easy clicks.

Please share information about these programs and finding a site with your neighbors, family and friends who may qualify for this service. 





American Payroll Association's Preparing for Year-End and Into 2013

Employer-provided health coverage, FUTA credit reduction states, and Medicare tax changes – 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 2013*, which can also be viewed as a webinar. To view this time saving and educational information, visit [Preparing for Year-End and 2013](#) 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 [Canadian Payroll Year-End](#) 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, 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 15, 2013, 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 2013.
- Schedule any special bonus payrolls for the current year.
- Order Forms W-2 and Forms 1099-MISC from the IRS [Online Ordering for Information Returns and Employer Returns](#) 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 [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 the [Social Security Number Verification Service](#).
- Check to see if Congress renewed any tax provisions. If Congress does not act by December 31:
 - The optional flat rate for withholding federal income tax on supplemental wages up to

- \$1M in a year increases from 25% to 28%.
- The mandatory flat rate for withholding federal income tax on supplemental wages above \$1M in a year increases from 35% to 39.6%.
- The backup withholding rate on payments to contractors increases from 28% to 31%.
- The income exclusion for non-job related undergraduate and graduate educational assistance will expire and amounts paid after December 31 are taxable income at the new supplemental rate of 28%.

In December and January

- Obtain new forms, withholding tables, and publications from IRS.
- Review the Social Security wage base (\$113,700 for 2013), deferred compensation limits, mileage rate (55.5 cents per mile for 2012), and [state unemployment wage bases](#).
- Notify employees of applicable changes and any actions they must take.
- Verify the employer's state unemployment insurance tax rate and taxable wage limit for each state where the employer has workers.
- Compute uncollected Social Security and Medicare taxes for retirees and former employees.
- Check to see if the Social Security withholding tax rate for employees has been adjusted. The tax is currently 4.2% for employees and 6.2% for employers but is scheduled to return to 6.2% for both for wages paid after December 31, 2012.
- 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.

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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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e-mail: SSA.IRS.REPORTER@irs.gov

In January

- Reconcile W-2 and W-3 totals against Forms 941 for 2012.
- 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 (\$110,100 for 2012), 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 2012 employees and Forms 1099-MISC to all 2012 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 11.

February 15

- For any employee who claimed "exempt" from withholding in 2012, but has not submitted an

exempt 2013 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, 2013. If you file electronically, the deadline for submitting these forms is extended to April 1, 2013.

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 [APAs homepage](#).* **APA**

7 Steps to Making a Hardship Distribution

In these challenging economic times, participants may seek [hardship distributions](#) from their retirement plan. Before making hardship distributions, review the steps below to make sure you follow both the legal requirements and your plan's requirements.

The law states that some retirement plans (for example, [401\(k\)](#) and [403\(b\)](#) plans) may allow participants to withdraw certain amounts from the plan because of a financial hardship. IRS regulations provide [guidelines](#) for plans to follow to ensure they satisfy the law's requirements. A plan can make a hardship distribution only:

- if permitted by the plan;
- because of an immediate and heavy financial need of the employee and, in certain cases, of the employee's spouse, dependent or beneficiary; and
- in an amount necessary to meet the financial need.

Step 1. Review the terms of your plan, including:

- whether the plan allows hardship distributions;
- the procedures the employee must follow to request a hardship distribution;
- the plan's definition of a hardship; and
- any limits on the amount and type of funds that can be distributed as a hardship from an employee's accounts.

Step 2. Ensure that the employee complies with the plan's procedural requirements. For example, make sure the employee has provided a statement or verification of his or her hardship in the form required by the plan.

Step 3. Verify that the employee's specific reason for hardship qualifies for a distribution using the plan's definition of what constitutes a hardship. For instance, the plan may limit a hardship distribution to pay burial or funeral expenses and not for any other reason.

Step 4. If the plan, or any of your other plans in which the employee is a participant, offers loans, document that the employee has exhausted them prior to receiving a hardship distribution. Likewise, verify that the employee has taken any other available distributions, other than hardship distributions, from these plans. Under some plans, a hardship distribution is not considered necessary if the employee has other resources available, such as spousal and minor children's assets (excluding property held for the employee's child under an irrevocable trust or under the Uniform Gifts to Minors Act).

Step 5. Check that the amount of the hardship distribution does not exceed the amount necessary to satisfy the employee's financial need. However, the

amount required to satisfy the financial need may include amounts necessary to pay any [taxes or penalties](#) that are due because of the hardship distribution.

Step 6. Make sure that the amount of the hardship distribution does not exceed any limits under the plan and is made only from the amounts eligible for a hardship distribution. For example, the plan may permit a hardship distribution of only 50% of an employee's [salary reduction contributions](#).

Step 7. Most plans also specify that the employee is suspended from contributing to the plan and all other plans that the employer maintains for at least six months after receiving a hardship distribution. Inform the employee and enforce this provision! Failing to enforce the plan's suspension provision is a common plan error but may be corrected through the [Employee Plans Compliance Resolution System](#) (EPCRS).

Additional Resources

[Frequently Asked Questions on Hardship Distributions](#) **IRS**

2013 Social Security Wage Base Information

The Social Security wage base for 2013 will be \$113,700. Beginning January 1, 2013, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$113,700 and withhold the Medicare tax (1.45 percent) on all wages. In 2013, employees will earn one Social Security credit for each \$1,160 in earnings, up to a maximum of four credits for the year.

Learn More Online

[Social Security Press Release](#) SSA

I-9 Central Now in Spanish: Central I-9

[I-9 Central](#), which was introduced by U.S. Citizenship and Immigration Services (USCIS) in May 2011, is now available in [Spanish](#). Over 650,000 visitors have made use of the English version of this online resource, which is a one-stop shop for what you need to know about [Form I-9, Employment Eligibility Verification](#). The new [Spanish I-9 Central, Central I-9](#), mirrors the English version of the site. It meets the needs of the Spanish-speaking community by answering common and complex questions about Form I-9. This release reflects USCIS' continued commitment to provide easy-to-access information to multilingual communities. Bookmark www.uscis.gov/I-9Central/Espanol DHS

Business Services Online – What's New

New Look

Social Security encourages you to visit its redesigned [Employer W-2 Filing](#) website and the [Business Services Online](#) homepage before the tax filing season begins.

In addition, Business Services Online has the following screen changes:

- Reconciliation W-2 Online now accepts wage reports for reconciliation purposes; and
- We added a delete function on the "Submission Status" application for users to delete erroneous reports before they process. This will save employers the step of having to call Social Security to request the deletion.

Changes to the Forms W-2/W-3 PDF

- Forms W-2/W-3 - PDFs now have barcodes.
- Forms W-2/W-3 - PDFs now have two forms instead of four forms. SSA

DHS NEWS

More E-Verify Enhancements!

Access E-Verify from More Web Browsers

You can now access [E-Verify](#) on more web browsers and from your mobile device. In addition to Internet Explorer 6.0 and above, E-Verify now supports Firefox 3.0 and above, Chrome 7.0 and above, and Safari 4.0 and above.

Obtain Hassle Free Audit Reports

The new ["Quick Audit Report"](#) lets E-Verify users report their E-Verify activity to Federal, State or local government entities when required. The new report generates an Excel spreadsheet of case data but does not include sensitive employee information such as Social Security numbers or document numbers. This quick report helps facilitate inquiries on E-Verify user compliance.

Updated E-Verify User Manuals

The new [E-Verify User Manuals](#) contain new guidance to assist employers with "How to create cases for rehired employees" and "How to process a case that has been pending for more than 60 days." View the full list of E-Verify enhancements by clicking [here](#).

Enrollment Checklist

The E-Verify Enrollment Checklist helps employers prepare to enroll. This useful information is now available in [English](#) and [Spanish](#). See it in Spanish on www.uscis.gov/espanol/e-verify.

E-Verify Wants to Hear From You

If you have an idea about [E-Verify](#), share it in our new community built just for you. Talk to E-Verify, vote or comment on an idea at www.E-VerifyListens.ideascale.com. DHS

Proposed Regulations Issued on Additional Medicare Tax

A new Additional Medicare Tax goes into effect starting in 2013. The 0.9 percent Additional Medicare Tax applies to an individual's wages, Railroad Retirement Tax Act compensation, and self-employment income that exceeds a threshold amount based on the individual's filing status.

The threshold amounts are:

- \$250,000 for married taxpayers who file jointly,
- \$125,000 for married taxpayers who file separately, and
- \$200,000 for all other taxpayers.

An employer is responsible for withholding the Additional Medicare Tax from wages or compensation it pays to an employee in excess of \$200,000 in a calendar year.

The IRS and the Treasury Department have issued [proposed regulations](#) on the Additional Medicare Tax. Comments may be submitted electronically, by mail or hand delivered to the IRS.

For additional information on the Additional Medicare Tax, see our [questions and answers](#).

IRS

Employees Can Set Up an IRS Payment Plan Online

Employees who owe \$50,000 or less in individual income taxes can set up an IRS payment plan online. The simple, safe and secure [Online Payment Agreement](#) application has several advantages,

- It's available 24—7—365.
- There's no direct contact with IRS.
- Don't have to wait for a bill to apply.
- No paper application to fill out and mail.
- All payment options available.
 - Monthly check
 - Payroll deduction
 - Direct debit
- Terms of 10 days up to 72 months.
- Immediate notification of approval.

To use the application employees must have filed all required returns and be able to pay their bal-


ance in full in 72 monthly payments or less. An [instructional video](#) from the IRS has additional information and walks through the application process step-by-step.

Employees should know that late payment penalties and interest apply to overdue federal taxes. For many, borrowing or paying by credit card is less expensive than an IRS payment plan. If borrowing is not an option, paying as much as possible with the tax return and paying off the balance as quickly as possible will keep penalties and interest to a minimum. More information on payment options is available on the [IRS website](#).

Employees setting up an IRS payment plan are encouraged to select the direct debit payment option. Payments are deducted automatically from

their bank account until the balance is paid. There is no remembering to write and mail a check each month. In addition, the \$52 user fee for direct debit payment plans is less than the \$105 fee for other plans.

The online payment agreement application may also be used to revise an existing IRS payment plan. Employees can change the monthly due date, raise or lower their payment amount and change a regular payment plan to payroll deduction or direct debit.

For complete information on [IRS collection procedures](#) for taxpayers filing and/or paying late see the IRS website. 

e-News

e-News for Small Businesses is a free electronic mail service designed to provide tax information for small business owners and self-employed individuals. It is distributed every other Wednesday.

Sign-up and you will receive information about:

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

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