SSA/IRS

Reporter

Summer 2014

A Newsletter for Employers

Social Security Administration

Internal Revenue Service

Inside this Issue...

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 IRS

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 inquires 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. IRS

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

IRS

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.
- *My*RA 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 IRS

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! DHS

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

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

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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

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