

**Social Security
Administration**

**Internal
Revenue Service**

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**A Newsletter
for Employers**

Important Information Corporate Filers Need to Know

Update on Form 1120/1120S, IRS e-file for Business Program

An important decision was made on January 30, 2002, to delay initial implementation of the IRS *e-file* for Business program for Form 1120/1120S, ("U.S. Corporation Income Tax Return and U.S. Income Tax Return of an S Corporation"). The initial implementation date of January 2003 has now been pushed back one year. This delay will allow us to increase the number of forms and schedules that will be supported from the original plan of 14 to 53. Implementation of the 1120/1120S *e-file* program is now scheduled for January 2004, and will now include 53 forms and schedules.

This delay was also caused by the decision to develop a new architecture for processing electronic returns. Part of this new architecture design calls for forms and schedules to be developed using Extensible Markup Language (XML) formatting. These decisions afford us the opportunity to explore new possibilities to improve the overall *e-file* process.

The new 1120/1120S *e-file* program will be a transaction-based system and will eliminate the current drain processing of the returns. Currently, returns that are received wait until the next scheduled drain time before they are processed. Average drain time schedules are twice a day. The new 1120 *e-file* system will process returns as they are received. With the elimination of the drains, the acknowledgments will be returned when the batch finishes validations and processing and will be much faster than the current process.

Fed/State implementation will be available January 2005. We are partnering with the States and Federal Tax Administrators (FTA) to

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Earnings Records: Everybody Wins When Names and Number Match

What happens if an employee's name and Social Security number in your payroll records don't match the name and number in Social Security's files? Social Security cannot credit your employee with the wages you report. That can affect the benefits your employee may be entitled to – retirement, disability, or survivors benefits – and it can cost you time and money fixing your records. Here are the most common errors:

- incorrect name or number;
- name changes not reported to Social Security;
- misspelled names;
- nicknames or shortened names; and
- titles before or after the name.

The following suggestions may help you avoid name and number errors.

- 1 **Make sure your payroll records are accurate.**

Each year, ask employees to verify that their names and Social Security numbers

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IRS Suspends Requirement to File Form 5500, Schedule F Change Reduces Taxpayer Burden

Effective immediately, the Internal Revenue Service has indefinitely suspended the requirement for taxpayers to file Form 5500 Schedule F, "Fringe Benefit Plan Annual Information Return." This is part of the agency's ongoing commitment to reduce unnecessary taxpayer burden.

The suspension of the requirement to file Form 5500 and Schedule F under section 6039D of the Internal Revenue Code is outlined in Notice 2002-24. The filing suspension is effective upon publication of Notice 2002-24. It applies to all plan years for which the form has not yet been filed, including years prior to 2001. During the suspension period, the IRS will review reporting requirements,

including possible electronic filing options.


Sponsors of certain fringe benefits in the past were required, under section 6039D of the Code, to file the annual information return, Form 5500 and Schedule F for cafeteria plans, educational assistance programs, and adoption assistance programs regardless of whether they were required to file Form 5500 under Title I of ERISA.

Sponsors of fringe benefit plans who have not filed required Forms 5500 and Schedule F for plan years prior to 2001 and were not otherwise required to file a Form 5500 under Title I of ERISA, should not seek relief under the Department of Labor's Delinquent Filer Voluntary Compliance Program (DFVC). There

is also no need to request relief from the IRS for failure to file these forms.

The IRS notice does not affect annual reporting requirements under Title I of ERISA, or relieve administrators of employee benefit plans from any ERISA obligation to file a Form 5500 and any required schedules (other than the Schedule F).

For further information on annual reporting requirements applicable to employee benefit plans under Title I of ERISA, see the instructions for the Form 5500 "Annual Return/Report" and the Department of Labor's regulations.

IRS Notice 2002-24 is available on the IRS Web at www.irs.gov. The announcement was published in the Internal Revenue Bulletin 2002-16 dated April 22, 2002. 

Tax Incentives for Small Business


President Bush has urged small businesses to take advantage of the Disabled Access Credit – a tax incentive program created in 1990 – to help them comply with the Americans with Disabilities Act.

Businesses with 30 or fewer employees or total revenues of \$1,000,000 or less may use a credit of up to \$5,000 a year to offset costs of altering facilities, using interpreters, or other steps to improve accessibility for customers or employees with disabilities. All businesses can take a deduction of up to \$15,000 each year for the cost of removing barriers in facilities or vehicles.

To assist businesses in understanding the ADA and these tax incentives, the Department of Justice has created the *ADA Guide for Small Businesses*, the *ADA Tax Incentive Packet*, and a new series of *ADA Business Briefs*. These and other publications are available at the ADA Business Connection Web site at www.usdoj.gov/crt/ada/business.htm.


Businesses can also get answers to ADA questions and order publications by contacting the ADA Information Line at:

800-514-0301 (voice)

800-514-0383 (TTY) 

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determine if there is a need for a stand-alone system and a Fed/State program.

We are continuing to partner with our external stakeholders (software developers, accounting firms, and tax return preparers) to address their needs in the development of this system. We will keep you informed of our progress as we continue to develop the IRS *e-file* for Business products of the future. Remember, File Smart...File Electronic. 

NOTE FROM THE EDITOR:

Your feedback is a way I keep in touch with the type of information you like and need in this publication. My e-mail address

*SSA.IRS.REPORTER@irs.gov is available for you to send comments. You may also contact me at 303-446-1664 or by fax at 303-446-1764.

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in your records are accurate. Employee names and Social Security numbers that don't match Social Security records will cause problems.

If employees notify your payroll office of a name change, tell them that you cannot change your payroll records until they show you a Social Security card with their new name. And remind them that only employees, and not their employer, can request a change on their Social Security record. They can do this by calling Social Security at 800-772-1213 and ask for a form to change their name.

If you want to give the name change form to your employees, visit www.ssa.gov/online/ss-5.html or call 800-772-1213 to get a supply.

2 Make sure all W-2s are completed correctly.

Enter the name exactly as shown on an employee's Social Security card, using the first name, middle initial (if applicable), and last name.

Don't use:

- titles, such as Mr., Ms., Dr., Capt.;
- suffixes, such as RN, MD, PhD, DDS; or
- Jr. and Sr. after the last name.

3 Take advantage of Social Security's free verification service.

Social Security offers a free verification service to make sure your employees' names and numbers in your payroll records match those in Social Security's records.

If you have:

- more than 50 names and numbers, call 410-965-7140 for a recorded message on how to register or visit www.ssa.gov/employer and select SSN Verification for all the details. (While anyone can submit a magnetic tape or diskette, this service is ideal for employers who hire a large number of employees at one time or employers

who want to verify their entire payroll database.)

- up to 50 names and numbers, contact your local Social Security office; and
- up to five names and numbers, call 800-772-6270, Social Security's Employer Helpline where a Social Security representative will verify the numbers while you wait. You will need your Employer Identification Number and each employee's full name, Social Security number, date of birth, and gender.

Verify the accuracy of your employees' names and numbers in your payroll records annually. When you report accurate earnings records, everyone wins. Employees get the maximum benefits they are entitled to when they're eligible, and you save time, money, and avoid possible IRS reporting penalties. **SSA**

Correcting Wage Reports with SSA

Effective with tax year 2001 wage reports, SSA will provide employers with a detailed error report listing up to 500 employee Social Security numbers (SSNs) that did not match SSA's records. The Spring edition of the *SSA/IRS Reporter* erroneously stated that the listing will contain employee names and SSNs. But privacy issues require that we list only SSNs. If you receive an error report, you may need to submit corrected information using Forms W-2c ("Corrected Wage and Tax Statement") and Form W-3c ("Transmittal of Corrected Wage and Tax Statements").

Order these forms and instructions from the Internal Revenue Service by calling 800-TAX-FORM (800-829-3676). Make sure you use the December 2001 revision of the forms. Do not use forms downloaded from the IRS or other Web sites. In addition, you can go online for more information about how to prepare and submit Forms W-2c/W-3c at www.ssa.gov/employer/how.htm, select *How to File Correction Forms*. The Web site includes the latest changes to the correction process, where to file the forms, and a link to the IRS instructions. **SSA**

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New IRS Products for Small Business Owners

The IRS has developed new products to help educate small business owners on their tax responsibilities – *The Introduction to Federal Taxes for Small Business/Self-Employed CD-ROM*, *A Virtual Small Business Workshop CD-ROM*, the *Small Business Resource Guide CD-ROM*, and the Small Business/Self Employed Community Web site.

■ **The Introduction to Federal Taxes for Small Business/Self-Employed CD-ROM** (Publication 3693, Catalog number 30904P) is a tutorial that introduces business students, new small business owners and self-employed entrepreneurs to IRS tax law in an easy to understand format. The CD-ROM is usable in a classroom setting, one-on-one counseling, or as a self-study tool. It is a creative, educational and interactive tool that makes use of voice, video, animation, graphics, and contemporary situations.

■ **A Virtual Small Business Workshop CD-ROM** (Publication 3700, Catalog number 30940H) is a tool for small business owners to educate them on their business tax issues. The CD-ROM incorporates video, audio, and Microsoft® PowerPoint® charts in one integrated product. The workshop consists of six topics presented by IRS instructors, along with closed-captioning available in English, Spanish and Mandarin Chinese. The topics presented are Business Structures, Payroll Taxes, Electronic Filing, Business Expense Deductions, Record Keeping and the Small Business Web Site. The CD also provides links to useful resources on the IRS Web site.


■ **The 2002 Small Business Resource Guide CD-ROM** (Publication 3207, Catalog number 26757M) is a must for every small business owner, or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions and publications to successfully manage a business. In addition, the CD provides an abundance of other helpful information, such as how to prepare a business plan, finding financing for your business, and much more. This year the CD-ROM will include a full-text and Adobe Acrobat search engine to make your navigation easier. You will also find valuable information concerning the IRS Disaster Relief Efforts and The Welfare-to-Work Credit.

The above FREE CD-ROMs can be ordered by calling 800-829-3676. For more information on small business issues, please visit the IRS Web site www.irs.gov/smallbiz.

■ **IRS Web Site Gets a New Look in the New Year**—The Internal Revenue Service's (IRS) Web site has an enhanced look for 2002! The Small Business/Self-Employed (SB/SE)

Division took this opportunity to provide its customers with a new and enhanced site for employers and the business community. Additionally, SB/SE integrated the contents of www.Employers.gov into this new look and feel as a means of providing the public with a one-stop-shop for all their small business needs.


The new SB/SE Web pages www.irs.gov/smallbiz will provide a comprehensive small business resource for the businessperson, whether they are starting, operating or closing a business. In addition, it will contain material on industries such as childcare, construction and automotive, along with tax tips, workshop schedules, and relevant Hot Topics.

The Internal Revenue Service and Small Business/Self-Employed division is excited about its new Web site and we think you will be too! Visit the site now to see what it has to offer, and in the future for all your tax needs. 

Form W-2 E-Filing for Small Employers

Social Security's new W-2 Online is a dream come true for many small business filers. Beginning January 2002, the service offers employers with 20 or fewer employees the ability to go to a Web site, complete Forms W-2 online, and submit them electronically to SSA. No more filling out and mailing paper forms to SSA. W-2 Online even prepares the W-3 for you and allows you to print copies of the W-2s suitable for distribution to your employees.

A simple registration process is required. You will receive a PIN immediately and a password in about two weeks. You can register online at www.ssa.gov/employer/esohome.htm or call 800-772-6270. You will need Adobe Acrobat Reader 4.0 or a higher version to print Forms W-2 and W-3, which you can download for free from our site.

Why wait? Register today and save your company time and money by filing your 2002 W-2s electronically. 



If you have problems you have not been able to resolve through normal IRS channels, or you have suffered or are about to suffer a significant hardship as a result of the application of the tax laws, contact the Taxpayer Advocate Service at 877-777-4778. The Taxpayer Advocate Service of the IRS provides an independent system to assure that unresolved tax problems are promptly and fairly handled. 