

Social Security Administration

Internal Revenue Service

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Reporter

Winter 2001

A Newsletter
for Employers

Social Security Announces Changes for 2002

The Social Security wage base for 2002 is \$84,900 up from \$80,400 in 2001. Beginning January 1, 2002, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$84,900 and withhold the Medicare tax (1.45 percent) on all wages.

Employers must match the tax payments withheld from employees' wages. Employees earn one Social Security credit for each \$870 in earnings, up to a maximum of four credits for the year. If employees reach full retirement age (age 65 or older*) and choose not to receive Social Security benefits, it could mean a higher benefit for these employees later in life and increase the future benefit amounts their family and survivors could receive. But, when employees reach full retirement age (currently age 65), they can work and receive Social Security retirement benefits. If your employees

Individual and Business Taxpayers Can Pay Taxes on the Web www.eftps.gov

Now taxpayers can pay via the Internet at www.eftps.gov.



EFTPS-OnLine is the same, easy to use system as the phone and PC software versions of EFTPS, but it also includes new features. EFTPS-OnLine users will not only be able to pay their taxes when they want, but they can also review their tax payment history and print out payment confirmation. By using any of the EFTPS methods to pay taxes, taxpayers benefit from increased accuracy, payment ease, and less back-end paper work.

Start enjoying the benefits on EFTPS-OnLine today. If you are a

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SSA's e-file is Like a Walk in the Park: Easy

For many employers, wage reporting isn't a walk in the park. It's work. Hard work. But that's all changed now thanks to *e-file* from Social Security. As an employer you can:

- save time,
- reduce your filing burden,
- have an extra 30 days to file, and
- get an electronic receipt of filing...

All in a paperless environment that you can track online.

And that's not all. Your employees will get more accurate Social Security Statements which will help them better plan their retirement. *e-file* is not just for employers. It's for accountants, CPAs, third-party providers, anyone who is responsible for submitting W-2 information to SSA. And best of all...it's free.

Here's How It Works

First, you need to format your W-2 file according to SSA's Magnetic Media Reporting and Electronic Filing Specification. Your software vendor has, in many cases, done this for you.

Second, register for a PIN and password by going to www.ssa.gov/employer and selecting Employer Services Online. From there you'll select Registration and follow the prompts. We'll issue you a PIN immediately and mail you a password in about 14 days.

Then, anytime between January 7th and April 1, 2002, go to *Employer Services Online* and select Online Wage Reporting Service. Use your PIN and

Remember to Change your Password

You must change your password at least once every 365 days to keep your PIN from expiring. Change your password from the Employer Services Online page by selecting *Registration* and then selecting *Change Password*. If you forget your password, call 800-772-6270 and we'll issue you a new one. Please allow about 14 days for receipt of your new password.

Password to upload your file. That's it!

When your file has been transferred to SSA, you'll get an on-screen Acknowledgement of Receipt for your records. It contains a control number that you can use to check the processing status of your submission.

Where to Go for Help

Find everything you need to know about electronic filing in the Employer Services Online Handbook. Go to www.ssa.gov/employer/eso2001.htm for an online copy of the handbook. To order a printed copy, call 800-772-6270.

Join the more than 22,000 companies that filed more than 68 million W-2s electronically in tax year 2000. Use *e-file*—and wage reporting will be like a walk in the park: easy. **SSA**

Note from the editor:

The *SSA/IRS Reporter* provides information of interest to employers who file business returns. We would like your feedback about the usefulness of the information provided in this publication.

We also would like to know if you would like the publication distributed on paper, by e-mail, on a Web site or by using all three mediums.

Send comments about the *SSA/IRS Reporter* to Joel Klein by e-mail at *SSA.IRS.reporter@irs.gov. You may also contact him at 303-446-1664 or by Fax at 303-446-1764.

SSA/IRS

Reporter

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Electronic Information Returns Go Paperless

On January 7, 2002, there will be one more reason to file electronically. Beginning then, filers of information returns who use the Filing Information Returns Electronically, or FIRE, system will no longer be required to submit a F4808. Starting on that date, the F4808 will only be a requirement for magnetic media submissions.

Currently, a F4808, *Transmittal of Information Returns Reported Magnetically/Electronically*, must be submitted when electronically filing information return Forms 1098, 1099, 5498, W-2G, and 1042S. With the new Fire system, the F4808 will be replaced by a self-assigned PIN. If your submission is good, we will release the file to mainline processing after 10 calendar days. If you do not want us to process your file for any reason, contact us within this timeframe. Just follow normal replacement procedures if your file status is bad.

If you have any questions, please contact MCC, toll-free at 866-455-7438 between 8:30 a.m. and 4:30 p.m., Eastern Time, Monday through Friday or by e-mail at www.mccirp@irs.gov. 

IRS Martinsburg Computing Center Has A New Toll-Free Telephone Number For IRP Help

The Internal Revenue Service Martinsburg Computing Center (IRS/MCC) has a new telephone number. The new toll-free number is 866-455-7438.

The call site is located in Martinsburg, West Virginia, and operates in conjunction with the Information Reporting Program (IRP). The call site provides service to the payer community, which consists of financial institutions, employers and other transmitters of information returns. Questions may be both magnetic media and tax law questions relating to the filing of information returns (Forms 1096, 1098, 1099, 5498, 8827, W2-G and W-4). The call site also answers magnetic media questions related to Form 1042-S and tax law and paper filing related questions about Forms W-2 and W-3.


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SSA Will Accept Laser-Printed 2001 Forms W-3/W-2

Paper filers can enjoy the convenience of printing their 2001 Forms W-3/W-2 using a laser printer thanks to a change in SSA's paper filing policy. Beginning with tax year 2001, SSA will accept both the black and white laser-printed Forms W-2/W-3, as well as the standard red drop-out ink accepted in prior years. Both forms must comply with IRS' 2001 Publication 1141, *General Rules and Specifications for Private Printing of Forms W-2/W-3*. **However, the black and white laser-printed forms require pre-approval from SSA.** Approval is based on conformance to IRS' 2001 Publication 1141. *SSA will only process pre-approved black and white laser-printed forms.*

If you use a software package to prepare your Forms W-2/W-3, make sure it is compliant with the 2001 Publication 1141. If you are a software vendor and want to have your forms approved, submit to SSA a blank and data-filled sample of each form. A four-position vendor code must appear on each form. Instructions for setting the vendor code can be found in Publication 1141. Send the forms to:

Social Security Administration
Data Operations Center
ATTN: Program Analyst Office –
Room 449
1150 E. Mountain Drive
Wilkes-Barre, PA 18702-7997

For a printed copy of the publication, call IRS at 800-829-3676. 

Electronic Filing of Corporate Returns in January 2003

The IRS is moving forward in its continuing efforts to provide electronic alternatives to filing paper returns by its business customers. The latest work in progress is for Form 1120, *U.S.*


Corporation Income Tax Return and Form 1120S, *U.S. Corporation Income Tax Return for an S Corporation*. The IRS is not working alone in this endeavor. It has established partnerships and working groups with software developers, accounting firms and tax practitioners to ensure the unique issues and needs of each market segment are addressed. The software developers will play an integral role in the development of the forms and schedules that will be available for electronic filing. Without the support and commitment of the software developer community, accounting firms and tax return preparers will not be able to participate in electronic filing. If you are interested in filing Form 1120/1120S electronically, please ask your software developer if they are planning to offer this feature in future releases of their tax preparation software packages.



Initial release of the Form 1120/1120S electronic filing program is planned for January 2003 and will include 14 of the most commonly used forms and schedules.

Schedules and forms that will be supported include Schedule D for the 1120 & 1120S; Schedule H, Schedule K-1, Schedule PH, as well as Forms 2220, 4136, 4562, 4626, 4797, 8825, and 8050. Full implementation for the remainder of the forms and schedules is planned for January 2004. All forms and schedules are being developed in the Extensible Markup Language (XML) format. Information on this new format will be made available on the IRS Web site at www.irs.gov in the very near future. In addition, a Fed/State Corporate electronic filing program is being designed for implementation in 2004. This program will allow the state corporation income tax return to be filed electronically with the federal return. Keep watching for future updates and developments as the IRS continues to work on its IRS *e-file* for Business programs and services. 

New Format Mandatory for 2001 W-2 Filing

SSA has a new W-2 reporting format entitled Magnetic Media Reporting and Electronic Filing (MMREF). The new format is mandatory for all employers who file their W-2s on magnetic tape, cartridge, diskette or electronically—everyone except paper filers. After a three year phase-in period, the MMREF is now mandatory for Tax Year 2001 submissions, that's W-2s due to SSA in calendar year 2002. So why the change? To offer employers great new features such as: a single record format that makes electronic filing a breeze and free test software (AccuWage) that checks for more than 200 errors that can cause your file to be returned unprocessed. 

SB/SE Community WWW Site to Merge with Firstgov Site

The Small Business and Self-Employed (SB/SE) Community Web site (<http://www.irs.gov/smallbiz>) and the Firstgov for employers Web Site (<http://www.employers.gov>) will soon merge to create a new, enhanced site for employers and the business community. As of

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Social Security Numbers Abbreviated on Annual Statements

When your employees get their next annual *Social Security Statement* listing their earnings record and estimates of future benefits, they'll find something missing. The first five digits of the employee's Social Security number will have been dropped to help protect your employees from identity theft.

Identity theft has become one of the most frequent crimes in this country and a thief's main tools are your employee's Social Security number and date of birth. Armed with those tools, an identity thief can obtain credit cards, open bank accounts and sign up for cell phones, all in your employee's name. The damage

could run into enormous amounts of money and it could take your employee years to get his/her identity restored.

Your employee's *Social Security Statement* will still contain his/her date of birth. That information will not help the identity thief. Without their full Social Security number, stealing their identity is extremely difficult, if not impossible.

Remember, your employee's *Social Security Statement* is a valuable tool to help them plan for their financial future. Remind your employees to read it carefully. They should make sure their earnings and date of birth are correctly reported. Then they should keep their *Statement* in a safe place

along with their Social Security card. If there are errors, they should call Social Security as soon as possible at 800-772-1213. **SSA**

Social Security Changes

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are under full retirement age, they can earn more in 2002 before their benefit is reduced—

- Social Security beneficiaries under full retirement age can earn \$11,280 before their benefits are reduced. For every \$2 a person under age 65 earns over \$11,280, \$1 is withheld from benefits.
- In the year employees reach full retirement age, \$1 in benefits is deducted for each \$3 they earn above \$30,000 until the month the employees reach full retirement age.
- Benefits are not reduced when employees are full retirement age or older, no matter how much they earn.

Employees receiving Social Security disability benefits must report all wages, no matter how little they earn.

* The full retirement age is increasing in gradual steps until it reaches age 67. This change begins in 2003, and it affects people born in 1938 or later. **SSA**

Pay Taxes on the Web

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current EFTPS user, all you need is an Internet password to begin. Just call 800-488-9199 or 800-982-3526 and have your Personal Identification Number (PIN) letter you received via the mail when you first enrolled in EFTPS. The PIN letter contains the last 8 digits of your enrollment trace number, which you will need to know in order to obtain your Internet Password. In addition, you will need your PIN number and your Tax Identification Number (TIN). If you are a business, you will enter your Employer Identification Number (EIN). For individuals, you will enter your Social Security Number (SSN). This information is necessary in order to validate your identity.

If you are not a current user of EFTPS, please visit www.eftps.gov for information on enrollment, or call 800-945-8400 or 800-555-4477 for assistance. **IRS**

National Medical Support Notice Makes Its Debut

Employers will be seeing something new this October: a form called the National Medical Support Notice (NMSN). The NMSN is a standardized federal form that all state IV-D child support agencies will be using. It is designed to assist employers who now receive many different medical support forms from the states.

The federal Departments of Health and Human Services and Labor developed the NMSN in consultation with their Medical Support Working Group. The Working Group was formed in 1999 to identify barriers to effective enforcement of medical support orders and recommend effective solutions. Among the Working Group members were employer representatives, including payroll professionals, as well as sponsors and administrators of group health plans.

One solution recommended design of a standard form for states to use when issuing a medical support order/notice to employers. This form would simplify processing for all con-

cerned and, most importantly, enhance health care coverage for children who are excluded from their non-custodial parent's group health plan.

State Child Support Enforcement agencies began using the NMSN on October 1, 2001 unless the state needs to pass enabling legislation which may delay implementation. It appears that 16 states and territories will have implemented the notice on or close to October 1, 2001 while 38 states and territories will have to delay implementation pending legislative enactment.

This is how the process will work:

The state will issue the NMSN for all new child support cases along with the standard Income Withholding Notice, or may issue the NMSN separately when it discovers a non-custodial parent who is not providing medical support and has been ordered to do so. The state will then transmit the two-page NMSN to the non-custodial parent's employer.

Upon receipt of the NMSN, the employer is required to review

and act on the notice within 20 business days. Part A of the notice will inform the employer of the type of coverage required under the order and the terms of coverage. In addition, Part A will include a response form that will allow the employer to notify the issuing agency of any reason it cannot provide coverage according to the terms of the order.

If the company can provide coverage, the employer forwards Part B to its insurance plan administrator. The plan administrator has 40 days from the date of the NMSN to complete Part B and return it to the issuing child support agency.

Part B also has a response form to allow the plan administrator to notify the issuing agency of the follow up that will be taken in accordance with the order, whether coverage will be provided and when, and a description of the coverage.

While the foregoing requirements are governed by federal and state statutory timeframes, employers may respond sooner when reasonable for them to do so. A flow chart depicting this

sequence of events and a completed sample NMSN will soon be available on the federal Office of Child Support Enforcement (OCSE) Web site at <http://www.acf.dhhs.gov/programs/cse/>.

Of additional interest to employers, **the NMSN complies with section 609 (a)(3) and (4) of ERISA**, which pertains to informational requirements and restrictions against requiring new types of forms of benefits. In addition, the NMSN includes the following:


- applicable provisions of state law requiring the employer to withhold any employee contributions due under any group health plan in connection with coverage required to be provided;
- the duration of the withholding requirement;
- the applicability of limitations on such withholding under title III of the Consumer Credit Protection Act;
- the applicability of any prioritization required under state law between amounts to be withheld for purposes of cash support and amounts to be withheld for purposes of medical support, in cases where available funds are insuffi-

cient for full withholding for both purposes; and

- the name and telephone number of the appropriate unit or division to contact at the state agency regarding the NMSN.

A copy of the NMSN and a matrix of state contact information may be found on the OCSE web site. The matrix contains a list of state contacts, dates of state implementations, and penalties.

We suggest employers and their insurance plan administrators interested in familiarizing themselves with the notice download this information from the OCSE Web site. Employers should expect to receive more detailed information from their states as they implement the use of this notice.


If you have any questions, please contact your state representative listed on the matrix. You may also e-mail Don Deering of the OCSE Employer Services Division with any comments. Don's e-mail address is ddeering@acf.dhhs.gov. 

Martinsburg has New Toll-Free Telephone Number for IRP Help

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Questions dealing with backup withholding and reasonable cause requirements, due to missing and incorrect taxpayer identification numbers, are also addressed.


Payers and transmitters may still use the original telephone number 304-263-8700 and the Telecommunications Device for the Deaf (TDD) number 304-267-3367. These are not free calls. The call site may also be reached by e-mail at mccirp@irs.gov.

Hours of operation are Monday through Friday, 8:30 a.m. to 4:30 p.m. Eastern Time. The site is in operation throughout the year. Due to the high demand in January and February, it is advisable to call with concerns when they occur to avoid delays during the peak-filing season. 

SB/SE Community Web Site to Merge with Firstgov Site

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January 1, this new site will be merged into the small business section of the IRS Web site.

Look for the new site to be available on January 1, 2002 at <http://www.irs.gov/smallbiz>. 

SSA Announces Social Security Agreement With Chile

Do you have U.S. employees working in Chile or Chilean personnel working in the United States? If so, you may be able to realize substantial tax savings under a new Social Security agreement effective December 1, 2001.

The new agreement helps reduce business costs by eliminating double Social Security taxation. Before the agreement, U.S. companies who employed U.S. citizens in Chile often paid Social Security taxes to both the United States and Chile on the same earnings. Frequently, Chilean companies with Chilean personnel in the United States also paid taxes to both countries. The combined U.S. and Chilean contribution rate could exceed 35 percent of salary. Under the agreement, these workers and their

employers are covered and taxed under either U.S. or Chilean Social Security, but not both.

The agreement also helps fill gaps in benefit protection for people who have divided their careers between the two countries. Under the agreement, workers and their families may qualify for partial U.S. or Chilean Social Security benefits based on combined credits from both countries.

In addition to the new agreement with Chile, the U.S. has Social Security agreements with 18 other countries. If you want to know more about any of these agreements, please visit our web site at www.ssa.gov/international, or call SSA's Office of International Programs at (410) 965-3548 or (410) 965-3856. 