Reporter

SSA/IRS

Social Security Administration

Internal Revenue Service

Summer 2011   **A Newsletter for Employers**

Interim Guidance on Form W-2 Reporting of Health Care Coverage

As described in press release *IR 2011-31*, the IRS issued interim guidance to employers, *Notice 2011-28*, on informational reporting of each employee's annual Form W-2 of the cost of the health insurance coverage they sponsor for employees. The IRS is also requesting comments on this interim guidance.

This new reporting to employees is for their information only — to inform them of the cost of their health coverage, and *does not* cause excludable employer-provided health coverage to become wages or income or to be subject to tax. The cost will be reported in Box 12 with Code DD on Forms W-2.

The Affordable Care Act provides that employers are required to report the cost of employer-provided health care coverage on the Form W-2. *Notice 2010-69*, issued last fall, made this requirement optional for all employers for the 2011 Forms W-2 (generally furnished to employees in January 2012).

Notice 2011-28 provides relief for smaller employers (those filing with the SSA fewer than 250 Forms W-2 for the previous year) by making this requirement optional for them at least for 2012 Forms W-2. Therefore, any employer that files fewer than 250 Forms W-2 for 2011 (generally furnished in 2012) will not be subject to the requirement for 2012 Forms W-2. The relief for small employers will continue until further guidance is issued.

Other types of relief that will apply for 2012 and until further guidance include exceptions for:

■ multiemployer plans,

■ separate dental and/or vision plans, and

■ Forms W-2 that are furnished to employees who terminate before the end of a calendar year and request a Form W-2 before the end of that year.

For employers that are subject to the reporting requirement for 2012 Forms W-2 (or who choose to report the cost of health care coverage on the 2011 Forms W-2), the notice explains:

■ how to calculate the cost of coverage, generally including amounts paid by the employer and the employee, but also covering methods for self-insured plans;

■ how to treat salary reductions for health flexible spending arrangements; and

■ that employers will not be required to issue a Form W-2 to anyone to whom the employer would not otherwise issue one (such as retirees with continuing health benefits).

More information about the tax provisions in the Affordable Care Act is on the *ACA pages* of IRS.gov. **IRS**

Social Security Number Randomization

Social Security is changing the way Social Security numbers (SSN) are issued. This change is referred to as "randomization." Social Security is developing this new method to help protect the integrity of the SSN. SSN Randomization will also extend the longevity of the nine-digit SSN nationwide. Social Security plans to implement the new assignment methodology on June 25, 2011.

SSN randomization will affect the SSN assignment process in the following ways:

■ It will eliminate the geographical significance of the first three digits of the SSN, currently referred to as the area number, no longer allocating the area numbers for assignment to individuals in specific states.

■ It will eliminate the significance of the highest group number

NEWS & NOTES

Do You Really Need to See the Card?

Employers often ask to see an employee's Social Security card. But, do you really need to see the card? Since 1936, Social Security has issued over 30 different versions of the Social Security number (SSN) card which makes it difficult to recognize a valid card. Sometimes when you ask an employee to show you his or her card the employee can't find it. In either case, you don't have to send that person to a local Social Security office.

Use the free Social Security Number Verification Service (SSNVS) instead. SSNVS allows registered employers to quickly verify whether a person's name and SSN match Social Security's records. You can even print out a copy of Social Security's response to document your personnel folder. It saves you and the employee time. **SSA**

Learn More Online

■ Employer W-2 Instructions and Information:
www.socialsecurity.gov/employer

Is it True I Can Correct Forms W-2 Online?

Absolutely! With W-2C Online you can complete up to five Forms W-2C on the computer, submit them, and print copies for your employees and for your records. It's all free! If you have more than five to correct, then start a new set of W-2Cs. At Social Security's employer website you'll find all the information you need.

If you already have W-2C software, you can test your files using Social Security's free AccuW2C software before you send them to us. Then upload your W-2C file (EFW2C format) to Social Security for free. File your W-2Cs as soon as possible after discovering an error and provide a copy to your employee. **SSA**

Learn More Online

■ Employer W-2 Instructions and Information:
www.socialsecurity.gov/employer
■ W-2C Online: *www.socialsecurity.gov/employer/bsotut.htm*
■ EFW2C Online: *www.socialsecurity.gov/employer/pub.htm*
■ Business Services Online Handbook:
www.socialsecurity.gov/employer/bsohbnew.htm
■ Employer Reporting Service Center:
800-772-6270, Monday – Friday, 7am – 7pm (EST)

Social Security Randomization

and, as a result, the High Group List will be frozen and but can be used for validated SSNs issued prior to the randomization implementation date.
■ Area numbers previously unassigned will be introduced for assignment excluding area numbers 000, 666 and 900-999.

These changes to the SSN may require systems or business process updates to accommodate SSN randomization. SSA

Learn More Online
■ Social Security Number Randomization Frequently Asked Questions:
www.socialsecurity.gov/employer/randomizationfaqs.html

IRS No Longer Mailing Employment Tax Forms Packages

The IRS has stopped mailing employment tax form packages to business taxpayers including Form 941, *Employer's Quarterly Federal Tax Return*. A complete list of the affected employment, excise and income tax forms is available at on IRS.gov. IRS.gov has information on downloading or ordering forms and instructions to file paper returns. Most business forms are also available via tax professionals and tax software.

The IRS took these steps due to the continued growth in business electronic filing and to reduce costs. **IRS**

IRS Employee Plans—Free Resources!

The Internal Revenue Service has great information on retirement plans ranging from choosing one for your company to frequently asked questions on taking money out—all for free! Visit *www.irs.gov/retirement/index.html* for great information on:
■ Choosing a Retirement Plan – the *Retirement Plans Navigator* is a Web guide to help your business choose a retirement plan, including a chart to help you compare different kinds of plans.
■ Maintain Plans and Correct Mistakes – the *Retirement Plans Navigator* offers resources to help you maintain your plan and correct plan mistakes.
■ Types of Plans – detailed descriptions and resources of various types of retirement plans and the rules that apply to them.
■ Forms / Publications / Products – a list of forms and publications relating to retirement plans available to view and download.
■ The *Retirement News for Employers* newsletter – a free, electronic newsletter with retirement plan information for business owners.
■ Frequently Asked Questions – on a variety of retirement plan topics.
■ Customer Service – for help with technical and procedural retirement plan questions. **IRS**

What's New with New Hire Reporting? Date of Hire

Did you know that New Hire Reporting is one of the best tools for locating noncustodial parents who may be evading their child support responsibilities? Employers play a key role in ensuring children receive the financial support they need. The Personal Responsibility and Work Opportunity Act (PRWORA) of 1996 requires employers to report all new hires to their State Directory of New Hires. Moreover, the Claims Resolution Act of 2010 was recently passed to reform the Unemployment Insurance program, including changes to Section 453A (b) and (c) of the Social Security Act. This legislation added a new requirement for employers to report, in addition to other information, the date that an employee first performs services for pay. The "first day of work" law goes into effect June 8, 2011. For more information on new hire reporting visit the Federal Office of Child Support Enforcement website at *www.acf.hhs.gov/programs/cse/newhire/employer/private/newhire.htm*. **HHS**

Use IRS Withholding Calculator to Adjust your Withholding

As of March 18, the Internal Revenue Service had issued more than 63 million refunds for an average of $3,004 per refund.

The larger the tax refund you receive the more money you've paid throughout the year because your withholding does not accurately reflect the tax you owed. Of course, there are some exceptions—special tax credits may be the cause of a larger refund or you could have owed tax when you filed your tax return this year. Either way, it may be time to evaluate your tax withholding and determine whether it needs to be adjusted.

If you are an employee, the IRS Withholding Calculator can help you determine whether you need to give your employer a new Form W-4, *Employee's Withholding Allowance Certificate*. This will help to avoid having too much or too little federal income tax withheld from your pay. You can use your results from the calculator to help fill out the form. The IRS Withholding Calculator can be accessed on *www.irs.gov* — enter the word calculator in the search box. You can also use the Form W-4 worksheets in Publication 919, *How Do I Adjust my Tax Withholding?*

Major life changes also could mean a necessary change in your withholding. Marriage, divorce, death of a dependent, and the birth or adoption of a child are all life changes that can require a change the number of exemptions claimed on your W-4. Check your withholding if there are personal or financial changes in your life or changes in the law that might affect your tax liability.

Ask yourself this question, "Is there a better way to make sure I'm putting my money to work throughout the year?" You may want to consider using the IRS Withholding Calculator to reevaluate both your 2011 tax withholding and your estimated tax payments. **IRS**

Related Items

■ Publication 919, *How Do I Adjust my Tax Withholding?*
■ IRS Withholding Calculator
■ Form W-4, *Employee's Withholding Allowance Certificate*

Office of Special Counsel for Immigration-Related Unfair Employment Practices

The Office of Special Counsel for Immigration-Related Unfair Employment Practices (OSC), in the Justice Department's Civil Rights Division, is responsible for enforcing the anti-discrimination provision of our nation's immigration law, the Immigration and Nationality Act. Employers must know that while they have the obligation to obey immigration law by hiring only authorized workers, they also must not violate anti-discrimination laws when hiring or firing workers.

Specifically, the law prohibits employers from engaging in four types of discriminatory acts: First, employers may not refuse to hire and may not terminate workers authorized to work in the United States because of national origin or citizenship status. For example, employers may not refuse to hire a job applicant because of the applicant's foreign appearance or accent. Second, employers may not require job applicants to hold a certain citizenship or visa status unless mandated by law or government contract. This means that preferences for U.S. citizens or temporary visa holders are against the law. Moreover, an employer who prefers to hire undocumented workers over authorized workers may be violating immigration law in two distinct ways—by employing unauthorized workers and by discriminating against authorized workers who may be protected for citizenship status discrimination. Third, employers may not discriminate by demanding more documents than what the law requires from workers to prove identity and eligibility to work in this country (known as "document abuse"). A list of acceptable documents is provided on the back of the Employment Eligibility Verification form (commonly known as Form I-9), which employers must complete for all newly hired workers. Finally, employers may not retaliate against workers who assert their rights under the anti-discrimination provision. Employers who discriminate or retaliate against workers may be required to hire or rehire the worker, pay back wages, pay civil penalties, change internal policies to avoid further discrimination, and comply with a monitoring period imposed by the Department of Justice.

To better understand employers' responsibilities under the anti-discrimination provision, please visit OSC's website at *www.justice.gov/crt/about/osc.* OSC also operates a telephone hotline which serves as an informal means of alternate dispute resolution. Through its hotline, OSC staff can successfully intervene to resolve an allegation of discrimination, precluding the need for OSC to investigate further. Employers can also call the hotline with questions about avoiding discrimination during the I-9 and E-Verify processes, as well as answering questions about non-discriminatory practices relating to hiring and termination.

Another effective way to become familiar with employers' obligations is to take advantage of OSC's public education and outreach resources. OSC has conducted many outreach presentations to employers and employer groups across the country. Additionally, a variety of printed and video outreach materials are available for download from the OSC website at *www.justice.gov/crt/about/osc.* Upon request, OSC will also send reasonable quantities of these printed and video materials at no cost.

OSC looks forward to working with employers to ensure that they are in compliance with the anti-discrimination provision of the INA by not engaging in national origin or citizenship status discrimination. **DOJ**

Get New Hire Paperwork Done Right the First Time

As the economy continues to improve, you may be considering bringing on new employees. If you do, here are some tips from the American Payroll Association on getting the paperwork done right the first time and avoiding potential problems.

Verify Work Eligibility

Verify that the employee is legally eligible to work in the United States. The employee and employer must each complete their parts of Form I-9, *Employment Eligibility Verification*, and the employee must show original documents that prove the employee's identity and work authorization. Go to *www.uscis.gov/I-9* for the latest version of the form, the list of acceptable documents, and *Handbook for Employers*.

More than 255,000 employers use the E-Verify system at *www.dhs.gov/E-Verify*, which electronically verifies the employment eligibility of a newly hired employee and whether the employee's name and social security number (SSN) match the government's records. E-Verify is operated by U.S. Citizenship and Immigration Services. Its use is required by most federal government contractors for new hires and current employees working on an eligible contract. Several states also require certain employers to use E-Verify, including Arizona, Georgia, Minnesota, Mississippi, Missouri, Nebraska, Oklahoma, South Carolina, Tennessee, and Utah.

Withholding Allowance Certificates

The employee should complete a federal Form W-4, *Employee's Withholding Allowance Certificate (www.irs. gov/pub/irs-pdf/fw4.pdf)* and any applicable state or local withholding form so the employer knows how much income tax to withhold. If the employee does not complete and submit a Form W-4, withhold federal income tax based on a marital status of "single" and zero withholding allowances.

You may ask the employee to show you the Social Security card (and you may photocopy it) to increase the likelihood that the name and SSN that you enter in your payroll records and provide in federal and state reporting (such as Form W-2) are correct. Accuracy ensures that the employee can get all the benefits to which he or she is entitled, such as unemployment insurance and, eventually, retirement benefits, and it ensures that you won't receive notices of errors and potential penalties.

Verify Employee's Name and Number

Even if you saw the employee's social security card, it's a good idea to verify the match of the name and SSN, in case of a name change or fraud. Plus, it's easy and free. You can do it online at *www.ssa.gov/employer/ssnv.htm*.

The registration process for online verification can take a few days because your authorization for using the Social Security Number Verification Service must be mailed to your employer. Once you are registered, you can also use the telephone service at 1-800-772-6270 to verify the information of up to five employees at a time. Be prepared with the employer's name and federal EIN and the employee's name, SSN, sex, and date of birth.

More information, including how to correctly format complex names and what to do if the employee never gives you a SSN, is available at *www.socialsecurity.gov/employer/critical.htm*.

New Hire State Reporting

Each new hire must be reported to the state in which he or she works shortly after the date of hire. This information is matched against child support records at the state and national levels to locate parents who owe child support. In addition, many states are using the information to combat fraud in the areas of unemployment insurance, disability insurance, and workers' compensation benefits.

The information that must be reported is the employee's name, address, and SSN, plus the employer's name, address, and federal EIN. Some states also require more data elements. And, beginning in the summer of 2011, employers must include the first day of work for which the employee is paid.

New hire reporting may be accomplished as easily as faxing a copy of the employee's W-4 to a state agency, but every state offers more methods, ranging from mailing a printed report to interactive telephone systems to Internet submissions. In addition, multi-state employers may elect to send all their new hire reports to just one state. More information, including links to each state's requirement, is at *www.acf.hhs.gov/programs/cse/newhire/employer/private/newhire.htm*. **APA**

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 information about the APA is available at www.americanpayroll.org.

Iowa Passes Child Support e-Payment Legislation

Iowa is the 13th state to require employers to remit their child support payments electronically. By December 31, 2011, employers with 1,000 or more employees must remit support payments electronically. For employers with 500 to 999 employees, the compliance date is December 31, 2012. For employers with 200 to 499 employees AND employers with 100 or more employees using an agent for payroll processing, the compliance date is December 31, 2013.

Employers with fewer than 200 employees and who handle their own payroll are not subject to the electronic funds transfer (EFT) mandate. Employers with fewer than 100 employees and who use a payroll service provider are also not subject to the EFT mandate. If it is determined that EFT would cause undue hardship, employers may elect to submit payments electronically through a website operated by the State of Iowa.

For more information, contact:
Iowa Collection Services Center
Phone: 877-274-2580
Email: csrue@dhs.state.ia.us
Website: **www.iowachildsupport.gov** or **secureapp.dhs.state.ia.us/epay**.

Other states that passed legislation mandating EFT for child support payments are California, Florida, Illinois, Indiana, Massachusetts, Nebraska, Nevada, Ohio, Oregon, Pennsylvania, Texas, and Virginia. For their state-specific requirements, please visit the Office of Child Support Enforcement website at **www.acf.hhs.gov/programs/cse/newhire/employer/private/electronic_payments_legislation.htm.**

For more information, contact Nancy Benner at nancy.benner@acf.hhs.gov or by phone at 202-401-5528. **HHS**

E-Verify Gets High Scores

E-Verify, the free web-based employment eligibility verification service run by the Department of Homeland Security (DHS), gets high scores from employers for customer service and ease of use. E-Verify allows employers to quickly verify the eligibility of their newly hired employees to legally work in the United States.

Customer Service

E-Verify offers highly rated customer support. According to an independently conducted American Customer Satisfaction Index (ACSI) survey, E-Verify customers give the E-Verify user experience an overall customer satisfaction score of 82 out of a possible 100. That's well above the average federal government rating of 69. View the survey online at *http://go.usa.gov/2C2*.

One of the aspects of E-Verify that respondents liked the most was its customer support, which received a score of 89. Other key findings of the survey revealed that the overwhelming majority of users were likely to recommend E-Verify to other employers, were confident in E-Verify's accuracy, and were likely to continue using the program.

DHS has introduced and expanded several initiatives that improve and support the E-Verify customer experience, including a new web interface, passport photo matching, revised website, an expanded selection of free webinars, timely updates via Twitter and an e-newsletter.

New Interface

The redesigned E-Verify web interface enhances E-Verify's usability, security, accuracy and efficiency. The redesigned E-Verify features a clean and modern design, easy and intuitive navigation, and clear and simple language. The new design is highly rated by customers.

Typically, verifying an employee's employment eligibility with E-Verify requires only three steps. For example, the first step in creating a case is to enter the employee's Form I-9 information. The redesigned interface streamlined the process to make it easier and reduce typos and other data-entry errors that may cause tentative nonconfirmations. View a short video to see how easy it is to create a case in E-Verify on E-Verify's website, *www.dhs.gov/e-verify*.

E-Verify users give the enrollment process a high score and rate the program as fast and easy to use, according to ACSI survey results. To make sure enrollment is easy, DHS produced a short video that quickly explains what's involved. That video is also on E-Verify's website.

Passport Photo Matching

DHS has enhanced the E-Verify web interface by adding Passport Photo Check, a new feature that matches data and photos from U.S. passports to assist in the verification process. Passport Photo Check is an important step to improve the accuracy and integrity of E-Verify.

Webinars

DHS offers free webinars throughout the month specially designed for current and prospective users. Webinar topics include: E-Verify Overview, E-Verify for Existing Users, Federal Contractor E-Verify, and Form I-9. Participants have the opportunity to question the presenter. To attend a free live seminar without leaving the office, register for a webinar at *http://go.usa.gov/it1*.

They Tweet, Too

For short, timely updates about E-Verify and Form I-9, follow on Twitter@ USCIS. For summaries of E-Verify's advances and activities, check out E-Verify Connection at *http://go.usa.gov/2Cb*, an e-newsletter distributed by U.S. Citizenship and Immigration Services. To subscribe, send a message with SUBSCRIBE in the subject line to E-VerifyOutreach@dhs.gov.

E-Verify is Growing

E-Verify is currently used by more than 250,000 employers at over 860,000 worksites. E-Verify is growing rapidly, with about 1,200 new businesses enrolling each week. For most employers, using E-Verify is voluntary and limited to verifying new employees only. Since September 2009, E-Verify is mandatory for many federal contractors.

For more information about E-Verify, visit *www.dhs.gov/E-Verify*. E-Verify customer support is also available to answer your questions. Call 888-464-4218 or email E-Verify@dhs.gov. **DHS**

Employers Matter: Child Support Reaches Out to Employers

The Federal Office of Child Support Enforcement (OCSE) is hosting an Employer Symposium August 3 – 4, 2011 in Atlanta, GA. Leading executives, business practitioners, payroll professionals and judicial representatives from around the country, as well as state and federal child support program professionals, will come together for this invitation-only conference. Attendance is limited to 100 participants to ensure an in-depth discussion of areas that contribute to the success of the partnership between the child support program and employers. The Symposium will bring together key decision-makers and experts from the child support, employer and judicial communities to discuss areas of mutual concern and identify both short- and long-term solutions. The Symposium will be conducted in a group setting to discuss revisions to the income withholding for support order (IWO); electronic business practices such as electronic income withholding orders (e-IWOs), e-payments and automating the National Medical Support Notice (NMSN); improving communication between stakeholders; reporting and withholding from lump sum payments; and new business trends. Recommendations from the discussions will be compiled and shared with all state and tribal child support agencies, representatives of the employer community, and the judiciary. For more information about the conference, email employerservices@acf.hhs.gov. **HHS**

USCIS Issues Updated Form I-9, *Handbook for Employers*

The *Handbook for Employers: Instructions for Completing Form I-9*, issued by U.S. Citizenship and Immigration Services (USCIS), helps employers better understand the Form I-9, *Employment Eligibility Verification*, process. The revised *Handbook for Employers* (Rev. 01/05/11), is available on the Form I-9 page of *www.uscis.gov*, and in the publications section of *www.dhs.gov/E-Verify*.

By law, all employers must verify the identity and employment authorization for every worker hired to work in the United States after November 6, 1986. To comply with the law, employers must complete Form I-9, *Employment Eligibility Verification.*

The *Handbook for Employers*, also known as the M-274, is the official guide for the Form I-9 process. Some of the many improvements, new sections, and tools included in this revision are:

■ New visual aids for completing Form I-9

■ Expanded guidance on lawful permanent residents, refugees and asylees, individuals in Temporary Protected Status (TPS), and exchange visitors and foreign students

■ Expanded guidance on the processing of employees in H1-B and H2-A status

■ Expanded guidance on extensions of stay for employees with temporary employment authorization

■ Examples of new and revised documents issued by USCIS

■ Guidance on Native American tribal documents

■ Electronic storage and retention of Forms I-9

■ Updated answers to frequently asked questions

The *Handbook for Employers* now also includes information for employers in the Commonwealth of the Northern Mariana Islands (CNMI). CNMI employers must verify employment authorization on the Form I-9 CNMI for all employees hired on or after November 28, 2009. The Handbook for Employers highlights information about documents CNMI employers may accept from their new hires.

USCIS also offers free live webinars about the Form I-9 process. Go to *http://go.usa.gov/rlT* to register for a webinar.

For more information, visit *www.uscis.gov* or call 888-464-4218. DHS

SUBSCRIBE TO *e-News for Small Businesses*
AND *e-News for Payroll Providers*

e-News for Small Businesses provides tax information for small business owners and self-employed individuals. It is distributed every other Wednesday.

e-News for Payroll Providers provides tax information specifically geared to the payroll industry and those who prepare federal payroll returns.

For small businesses in general or the payroll industry in particular, the newsletters will provide:

■ 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

To start your free subscriptions, visit **www.IRS.gov** and type e-News for Small Businesses or e-News for Payroll Providers in the search area to access the sign-up pages.