

Payroll

- 1. Are the amounts added to the W-2 for employer-provided health care taxable to my employees?**
 - > No, the new reporting requirements are for informational purposes only to inform employees of the cost of their health care coverage. It does not cause excludable employer-provided health care coverage to become taxable.
- 2. Are the requirements to add health insurance costs to the Form W-2 for W-2 wages earned in 2011 or 2012?**
 - > If you issue more than 250 Forms W-2, you will be required to report health coverage beginning in 2012. This means wages earned in 2012 would be issued on W-2s in January of 2013.
 - > If you issue fewer than 250 Forms W-2, you will be required to report the health coverage beginning in 2013, meaning wages earned in 2013 would be issued on the W-2s in January of 2014.
- 3. In reference to reporting health care coverage on Form W-2, would this include dental and vision premiums?**
 - > If the dental and vision premiums are written in the same plan, the amounts would be added to the W-2. If they are in separate plans, they would not be added to the W-2.
- 4. What amount is included on the W-2 for health care coverage: employee portion, employer portion, or both?**
 - > Both employee and employer portions would be included.
- 5. Have the health savings account (HSA) contribution limits changed for 2012?**
 - > Yes, the maximum contribution for individuals increases to \$3,100, from \$3,050 in 2011. And the maximum contribution for families increases to \$6,250, from \$6,150 in 2011. Additional information can be found at bakertilly.com/payrollwebinar.
- 6. What will be the HSA catch-up contribution amount for 2012?**
 - > The HSA catch-up contribution amount for 2012 will be \$1,000, unchanged from 2011.
- 7. What is the Wisconsin taxation for HSAs in 2011?**
 - > In 2011, Wisconsin adopted the federal provisions relating to HSAs. This means, beginning in 2011, amounts contributed to your HSA will no longer be added to your income for Wisconsin.
- 8. We are an S corporation, and the boss's son has an HSA deduction. Is this taxable?**
 - > His deductions would be exempt from Federal Insurance Contributions Act (FICA), Federal Unemployment Tax Act (FUTA), and State Unemployment Tax Act (SUTA), but they would be taxable for federal withholding (FWH) and state withholding (SWH). Include these deductions in boxes 1 and 16 of Form W-2, but not in boxes 3 or 5.
- 9. In reference to health care benefits for children under age 27, if we already add the fair market value (FMV) to an employee's wages and take Wisconsin taxes on this income, how does the employee get this money back?**
 - > You will need to reverse any wage amounts you have included in the employee's income. However, you will not reverse the taxes you have withheld from their pay. Your employee will get a refund when he or she files a state income tax return for 2011.
- 10. For health insurance for dependent children, what about the effect on reporting quarterly SUTA wages as a result of now reversing amounts previously added?**
 - > The amounts would need to be reversed from the SUTA wages as well, which can be done by amending quarterly forms or by doing one adjustment on the fourth-quarter report. If the employee is still receiving wages in the fourth quarter, make the adjustment before filing the fourth-quarter report. If the employee is no longer working for you, you would need to file an amended report for that period.
- 11. If the company pays a portion of health care during COBRA following a severance, do we need to include that on the W-2?**
 - > If the employee worked for you for any part of the year, you would already be required to issue them a form W-2, which means you would include the COBRA premiums in box 12 with code DD.
 - > If the employee has not worked for you for any part of the year—for example, his or her severance began in 2010—and you are still making COBRA payments in 2011, but have not paid the employee any wages in 2011, you would not be required to issue a W-2 just to report the health coverage.
- 12. Just to confirm, health and associated fringe benefits for S-corporation owners only belongs in box 1 and 16?**
 - > That is correct for health, dental, and accident insurance, HSAs, and medical reimbursements. Personal use of auto, group-term life, and disability income insurance premiums are fully taxable and reportable in boxes 1, 3, 5, and 16.
- 13. Did the 401(k) catch-up limits change for 2012?**
 - > No, the limit remains \$5,500, which is the same as the 2011 limit.
- 14. Is a Roth 401(k) amount included in the limits?**
 - > The 2012 Roth 401(k) limit is \$17,000, which is the same as the 401(k) limit.

15. What code do I use on the W-2 for contributions to a 457(b) plan?

- > You can report contributions to a 457(b) plan in box 12 with code G.

16. Which rate should I use for FUTA: 0.8 percent rate or should I switch to 0.6 percent?

- > You should use the rate for July 1, 2011 to Dec. 31, 2011, which is 0.6 percent. If the IRS passes the new legislation and changes the rate retroactively back to 0.8 percent, they will allow for corrections on the annual Form 940.

17. What happens to the FUTA surtax in 2012?

- > The surtax expired for July 1, 2011 and forward. If the budget proposal does not pass, the FUTA rate will continue to be 0.6 percent. If the budget proposal is passed, one or both of these will happen:
 - The surtax of 0.2 percent could be extended, making it permanent at a rate of 0.8 percent. This would be retroactive to July 1, 2011. If this happens, they will allow for adjustments on Form 940 for 2011.
 - The FUTA wage base would increase to \$15,000, and the rate would decrease to 0.38 percent from 0.8 percent.

18. Any idea if the IRS will change their current mileage reimbursement from .555?

- > At this time, it is unclear whether the IRS will change the rate. There has been talk of them reverting back to \$0.51 per mile as the rate was at the beginning of 2011; however, we have also heard that the rate may remain at \$0.555 per mile. As soon as we receive a definitive answer from the IRS, we will update the information when it becomes available.

19. Would you only gross-up 3.2 percent on FICA this year in the gross-up calculation?

- > For 2012, based on the current regulations, use 7.65 percent for FICA (6.2 percent for Social Security and 1.45 percent for Medicare). Because there is a chance that new proposals will change this, we will update the information when we receive a definitive answer from the IRS.

20. If we took premium deductions and applied imputed income in December 2010 for the January 2011 premium, do we need to make an adjustment on the 2011 W-2?

- > No, you would not make an adjustment. You would need only to adjust for amount actually imputed and included in income in 2011.

21. Which employers are eligible for the Hiring Incentives to Restore Employment (HIRE) retention credit? Should the hired employee have been unemployed before being hired?

- > A qualified employer is:
 - Any employer other than the United States government, a state or local government, or any government instrumentality; however, public colleges and universities can be qualified employers, as well as Native American tribal governments
- > A qualified employee is:
 - An employee hired after Feb. 3, 2010, and before Jan. 1, 2011
 - Certified by signed affidavit (W-11) under penalty of perjury that they were employed for 40 hours or less during the 60-day period ending on the date the employment began
 - Not employed to replace another employee of the qualified employer (unless that former employee separated from employment voluntarily or for cause)
 - Is not related to the employer
 - Employees who qualified for the HIRE credit claimed on Form 941 in 2010 (known as the Social Security Tax Holiday) would also qualify for the retention credit if they were employed for at least 52 consecutive weeks

22. Is the HIRE retention credit available to not-for-profit organizations?

- > Yes, the HIRE retention credit is available to tax-exempt organizations.

23. When are electronic filings of W-2s required for federal and Wisconsin?

- > Federal: You must e-file if your company files 250 or more Forms W-2.
- > Wisconsin: You must e-file if you file 50 or more Forms W-2.

Retirement planning**1. Why is the Department of Labor (DOL) requiring fee disclosures?**

- > It is part of an ongoing effort to enhance employees' understanding of retirement plans and take strong ownership of their retirement.

2. Will I, as a plan sponsor, have to pay a penalty if the disclosures aren't on the statements by the deadline?

- > No, the service provider will be responsible for that.

3. Will someone help me understand the fees listed?

- > Yes, your service provider should be willing and able to answer all of the questions you have regarding fees.

4. How do I know if fees are reasonable?

- > There are many different ways to benchmark your fees against fees paid by other plans. We recommend that you discuss this with your provider. If they are unable to help benchmark the fees, there are services that will help you.

5. How am I going to handle the questions I receive from my employees regarding the cost of the plan?

- > That is where having a good provider should help. They should be willing to talk with your employees to answer those questions. This is a key opportunity to help employees not only understand what they pay, but also fully realize the importance of retirement planning.

6. My employees are already concerned about the volatility of the market in general. Won't this hurt participation even more?

- > It is a possibility which is why we are encouraging plan sponsors to really educate plan participants. This can be accomplished through help from your service provider.

7. Do these new DOL regulations also apply to 457 plans?

- > The new Employee Retirement Income Security Act (ERISA) regulations will not apply to 457 plans as they are considered "noncovered" plans.

8. We have a 403(b) plan. Will this follow the same rules as the 401b plan for fees?

- > Most 403(b) plans are considered by the DOL to be "covered" plans, which means they are regulated by ERISA regulations. If your 403(b) plan is an ERISA 403(b) plan, the new regulations will apply.

9. Do the plan level fee reporting requirements also apply to Savings Incentive Match Plan for Employees (SIMPLE) IRA plans?

- > The US DOL does not include SIMPLE IRAs in these regulations.

For more information or any questions you might have on these topics, we encourage you to contact your Baker Tilly tax advisor.