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Benefit Insights

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A Newsletter for Clients and Friends of Century Benefits Group, Inc.

Update on ACA Provisions: The Latest Information for Employers

via the employers' plan, and receives a taxpayer subsidy. The authorization for the shared subsidy payments is found in Title I, Subtitle F of the Affordable Care Act and Section 4980 of the Internal Revenue Code.

Specifics

Effective Jan 1, 2015 and after, firms with a 100 or more full-time equivalent employees (FTE), and who's average annual wages above \$250,000, will need to insure at least 70 percent of full-time employees by 2015, and 95 percent of employees by the following year. Employers with 50-99 employees or the full-time equivalents will need to start insuring their full-time workers by 2016. These employers are deemed "applicable large employers (ALEs) under the ACA. Employers with fewer than 49 employees are not considered ALEs and are therefore unaffected.

All ALEs falling under the shared responsibility mandate must make a monthly payment per employee to the U.S. Treasury.

What counts as an employee?

For the purposes of the Affordable Care Act, a full-time employee is any worker who is employed an average of 30 hours per week or more. For more information, see [IRS Bulletin 13-45](#).

If your business was open during 2014, use your 2014 payroll information to make this determination. Otherwise, look at your existing and projected payroll information for 2015. For 2016, you will be defined as an ALE if you averaged at

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Thanks to a recent Supreme Court Ruling, the Affordable Care Act has been declared constitutional as is, and will therefore stand in its current form until Congress takes action to change it.

As a result of the law, a number of provisions affecting employers have become effective already, including the so-called 'shared responsibility' provisions that will apply to all employers in the U.S. who employ 50 or more full-time equivalents, with certain exceptions for seasonal employees. The shared responsibility provision requires employers to pay a surtax if an employee applies for coverage via a state or federal exchange instead of getting covered

Welcome to the Century Benefits Group, Inc. Newsletter!

We are pleased to present you our company newsletter. This newsletter is designed to give you timely and important information regarding employee benefits, government regulations, new products, and other areas of interest to employers and your employees. Our company works with small and mid-sized organizations throughout New York State. We provide group and individual health, dental, life, disability, and vision insurance. We are certified to work on the New York State health insurance exchange. (www.nystateofhealth.ny.gov) We also specialize in group and individual Medicare and Part-D plans. **Our new Medicare website is www.nymedicare.org.** If any of your employees will become Medicare eligible please have them contact our office to discuss health insurance options. We offer no-cost employee benefit reviews for companies, non-profit organizations and municipalities. If you know of other organizations or individuals who may need our assistance please have them contact our office. We value you, your employees, and your business and continue to strive to provide you with the very best products and service available. Do not hesitate to contact us should you have any questions or needs.



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Top 10 Social Security Tax Questions

There were several programs established by the Social Security Act to ensure individuals with disabilities and people who retire have supplemental income. It also established a program for survivors to receive a death benefit. Supplemental income from Social Security keeps more than 40 percent of the elderly population out of poverty. With all of the changes and amendments made since 1935, the tax implications are complicated for individuals and employers. The following are 10 common tax questions related to Social Security.

1. Are Social Security benefits taxed? In some cases, benefits may be subject to federal income tax. If the benefits are a person's only source of income, they are not likely to be taxed. However, people who have additional income will usually be subject to the federal income tax.

2. Are there base amounts for benefits? The base amounts are determined by a person's filing status. The base amount for a married couple filing jointly is \$32,000. For married couples filing separately who live together, it is \$0. The base amount is \$25,000 for all other taxpayers.

3. What percentage of benefits is subject to income tax? If an individual adds his or her income to half of the total received benefits and it exceeds more than the base amount, up to 50 percent of that individual's benefit will be counted as gross income. The base amounts are the same as those listed in the previous paragraph. However, if the person's income exceeds \$40,000 for married filing jointly status, \$0 for married filing separately status or \$25,000 for all other taxpayers, up to 85 percent of the total amount of benefits must be counted as gross income.

4. Are workers' compensation benefits counted as Social Security on tax forms? Yes, workers' compensation benefits are counted as Social Security since they cause a reduction in the tier I category for disability benefits.

5. Why does adjusted gross income include nontaxable interest? This is done to limit the chances of manipulation on tax liability benefits.

6. What are the reporting requirements from the Social Security Administration? Information must be sent to each beneficiary every year that shows any repayments from the beneficiary and any reductions of benefits.

7. How are lump-sum retroactive benefits and over-payments taxed? Any benefits paid to an individual are reduced by over-payments that are repaid. Retroactive lump-sum payments are treated as payable during the year when they were received. Any benefits received before 1984 are not taxable.

8. Are income taxes withheld from Social Security benefits? Withholding is allowed but it is voluntary. Benefit recipients can submit a Form W-4 if they wish to have federal income taxes taken directly out of their benefits. Withholding can be chosen at several different percentage rates up to 25 percent of the total benefit payment.

9. How are Social Security taxes reported for domestic help? The 2015 threshold for coverage of a domestic worker was \$1,900 in 2015. Always check current rules for updated threshold amounts. Any wages paid to domestic workers under the age of 18 are exempt from Social Security taxes. Being a student is classified as an occupation.

10. If a person receives wages as an employee but is also self-employed, how much income is subject to self-employment income tax? The difference between the base of maximum earnings and the wages earned as an employee is the amount that is subject to taxation as self-employment income. If the net earnings from self-employment income are more than \$434, no self-employment tax is due. However, the amount that is considered taxable may be less than \$400 in some cases.



There are many other common concerns related to Social Security taxes and benefits. To learn more or for answers to other questions, discuss concerns with an agent.

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Justice Department to ensure application of its honesty policy and to ensure that there have not been any other dishonesty issues. If employers fire workers who present valid documentation after workers admit that their prior documentation was fake, the employers may face discrimination issues and lawsuits.

Experts at the symposium said that employers accepting documents that appear to be genuine are not committing any form of violation. They also emphasized again that employers may be subject to discrimination lawsuits if they choose to terminate employees in such situations. Abuse of documents may also happen when an employee is terminated after presenting a valid I-9 form that the employer believes is fake. It may also happen when the employer requests extensive documentation about citizenship status and national origin that is not related to the I-9 requirements. For more information about the new I-9 electronic form, discuss concerns with an agent.

Top Advantages of Offering Voluntary Benefits to Employees

Expect to see voluntary benefits grow in popularity because of their usefulness and convenience. The health care reform laws brought about many challenges that voluntary benefits turned into positives. People like these benefits, they are affordable and they work well. These are several benefits associated with voluntary benefits.

1. There are no hefty employer expenses. While many employers want to offer their workers benefits, the cost is often a barrier. With voluntary benefits, employees can have good benefits without employers having to pay too much. In addition to this, there are payroll tax savings associated with these benefits.

2. There are more desired benefits. Workers typically ask any prospective employers about life, dental, health and disability benefits. Since this is a question that will come up in interviews, it is helpful to have good benefits to offer the best talent.

3. There are lower employee turnover rates. If an employer offers a good benefits package, there is usually a lower turnover rate. When there are more jobs available than there are top candidates, it is very helpful to have a good benefits package to offer the best prospects.

4. There are group rates. The individual costs for workers are lower because of the group rate calculation method. This means that workers can have excellent benefits for a much lower cost than what it would cost them to obtain the same benefits package individually.

5. Voluntary benefits promote goodwill. Workers appreciate employers if they show they care. One good way to show care is to offer

a good benefits package. This shows that the employer cares about the employee, the employee's health and the health of the employee's family members.

6. There is no secondary market. Several of the top programs are only provided in plans offered by employers. This is beneficial to prospective employees because they cannot obtain similar coverage on their own without paying a lot of money.

7. There is good underwriting. In most cases, individual people are unable to find good disability insurance or life insurance on their own. This is especially true for people who have a history of medical problems. If they have voluntary benefits, there are very simple underwriting requirements that guarantee coverage without health questions.

In the past, these benefits were offered to attract and retain the best talent. However, they have gained popularity in recent years because of economic pressures and growth. More business owners are looking for ways to manage health costs without taking the risk of making their workers quit. Since no employer wants the top talent to start looking elsewhere, it is important to offer good benefits. Both parties win with voluntary benefits. There are less upfront costs for workers, there are cash benefits for plan members' serious illnesses and there are additional benefits. To learn more about these options, discuss concerns with an agent.

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least 50 full-time equivalents during the course of the previous year.

What about seasonal workers?

The government takes seasonal workers into account. However, if the company only employs the requisite 50 employees for 120 days per year or fewer, then the company is not considered an ALE. Employees who are retail workers who are only employed during holiday seasons are also excluded from the ALE calculation.

Can I split my company up to get under the 50-employee threshold?

No. Section 4980H of the Internal Revenue Code establishes that employee headcounts of businesses held by common owners are combined for the purposes of calculating whether the company qualifies as an ALE.

I run a non-profit, 501(c)(3) corporation. Am I exempt?

No.

The 50 employee/full-time equivalent test for determining ALE status is applied without regard to for-profit/not-for-profit status. Government entities, including Indian tribal government entities, are also not exempt from the 'shared responsibility' mandate.

I have employees who are eligible for a health plan via their partners/spouse's plan, Medicare or Medicaid. How are they accounted for?

These employees are also counted for the purposes of determining your company's status as an ALE.

Are employees working outside the United States counted for the purposes of determining ALE status?

No. The determination is made using your U.S. payroll information. For example, if a very large company had a small operation in the United States, with fewer than 50 employees, that company would not be subject to the shared responsibility mandate.

How do I make a Shared Responsibility Payment?

Follow the IRS's [published instructions for Form 8965](#).



**EMPLOYEE
SATISFACTION**

New Electronic I-9 Form Catches Common Errors

A smart I-9 form that is based online is under development by the U.S. Citizenship and Immigration Services. Its purpose is to help employers to complete them correctly and to prevent errors that are commonly made. For example, the smart form would focus on fields that are accidentally left blank. Many employers forget to fill out portions of these forms.

At a symposium in June of 2015, it was revealed that the form would be released soon. For each section of data, the form would have drop-down menus with guides. However, it would not include all of the features that come with some of the I-9 software programs on the market today. In addition to this, the program would not connect with e-Verify. This is the electronic taxpayer verification system provided by the government. Several other I-9 issues and frustrations were discussed during the symposium, and some of the most vocal participants

had issues related to customs and immigration enforcement.

Another issue experts pointed out was that driver authorization cards had uncertainty connected to their validity. These cards allow undocumented immigrants to have driving privileges in the United States. Experts proposed the idea that these cards could be given to HR departments to be used as a form of identification for the employment verification process. The District of Columbia and several states issue these cards to undocumented immigrants. To obtain the card, they must present a birth certificate, proof of U.S. residency or a foreign passport. Employers presented with these types of cards must now accept them as List B category documents that are required with the Form I-9.

In addition to accepting the cards, employers

must review the work authorization document for the List C category. The information must match and be genuine to be approved. If employers reject the identification cards when they are considered an acceptable List B item, they may be subject to illegal discrimination lawsuits under the Civil Rights Act of 1964 and under the anti-discrimination provision of the Immigration and Nationality Act. Accepting these driving authorization cards does not constitute knowledge that a potential employee is not authorized to work in the United States.

One major issue is fraudulent documentation. In some cases, undocumented workers may later admit that their documents were fake. If this happens and the employee is fired because of the admission, the employer may still be audited by the

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