

Practice Success

FALL/WINTER 2014

Reimbursement of Employee Health Insurance Premiums



Before 2014, employers could reimburse employees for some of the cost to obtain their own individual health insurance. The reimbursement was a tax-free benefit to employees. This practice allowed employees flexibility in getting lower insurance premiums and yet still be deductible for the employers.

Effective 1-1-2014, employers have been required to include such reimbursements as gross wages to the employee which makes it taxable income to them. Employers get the full deduction under this procedure. It will increase the employee's wages and decrease the employer's income.

As an alternative, employers are allowed to use Health Reimbursement Arrangements (HRA) to reimburse employees tax free for health insurance premiums. To set up an HRA, the employer must have a written HRA plan and pay someone to administrator the plan to stay in compliance. You should seek a company who specializes in these plans to work with. Under IRS Notice 2013-54 warns "If the plan is not in compliance employers may be subject to a penalty of \$100 per employee per day (\$36,500 a year)". If you don't handle your payments for health insurance correctly with your employees, you could face these horrendous penalties. It pays to understand what the requirements are.

Yearend Items— Bonuses and 1099s

Christmas bonuses, Year-end bonuses or any bonus for that matter **MUST** have taxes withheld! You may opt to not withhold Federal withholding, but the other taxes are mandatory. If you want the employee to receive a round number as the net, it easily can be "grossed up" so that they receive a certain dollar amount. Other than that, you start with the bonus amount you want to give the employee, withhold the taxes and they receive the net amount. Auditors, especially state unemployment auditors always look for bonuses that are not taxed because it is a common mistake/abuse. They know the trick of calling the bonus a uniform allowance and they will make you pay the taxes on it after the fact. Better to do it correctly from the beginning. Any employee should be delighted to receive a bonus even if it has taxes withheld from it.

1099's - 1099 forms need to be sent out in January. We will do this for you or help you do it, but you need their Employer Identification Number (EIN) or Social Security Number (SSN). Have anyone who provides services to you in excess of \$600 for the year, who is **not** incorporated, fill out a Form W-9 which will give you all the information you need for the 1099 to be issued. Attorneys, *even if incorporated*, and *even if paid less than \$600* need to have a 1099 issued to them. I guess they don't trust attorneys! Consider getting W-9 forms from anyone who is a sub-contractor, any temporary labor or anyone who does repairs, maintenance services, lawn care, janitorial services, and equipment repairs as well as anyone you pay rent to or any individual to whom you pay interest for a privately held loan. Dental supply companies or dental labs which are not incorporated should also be included. Getting the W-9 forms now will make filing 1099's easier and cheaper.

MORE INSIDE...

Labor Law Posters	2
Identity Theft	3
St. Maarten	4
Golf Tournament	5



Labor Law Posters

Stay in compliance with federal labor laws... fines have recently increased. Your company must display labor law posters in a prominent and accessible place for all employees to see. The Equal Employment Opportunity Commission has more than doubled the fines for employers who fail to comply with notice posting requirements. As of April 18th, 2014 the fines increased from \$100 per violation to \$210 per violation. There are vendors that will call and tell you that your company is noncompliant and you are required to purchase the posters from them. However, this is not the case and they are just trying to get sales for their company. The Federal and State Labor Law posters are actually free and you can find out how to obtain them or print them by visiting the following websites:

For the required Federal posters go to:

<http://www.dol.gov/oasam/boc/osdbu/sbrefa/poster/matrix.htm>

There are multiple options to choose from at this site so you will need to choose which posters would apply to your office.

For the required West Virginia posters go to:

http://www.wvcommerce.org/business/workforcewv/employers/affirmative_action/labor-law.aspx

West Virginia will actually send you any of the posters you request.

For the required Pennsylvania posters go to:

<http://www.portal.state.pa.us/portal/server.pt?open=514&objID=620665&mode=2>

You will need to choose the posters that would apply to your office just like on the federal website.

For the required Maryland posters go to:

<http://www.dllr.state.md.us/oeope/poster.shtml>

You can choose your Federal and State posters from the Maryland website. It will redirect you to the appropriate page when you select a poster to print.

For the required Virginia posters go to:

http://www.doli.virginia.gov/publications/required_posters.html

Virginia also allows you to choose your Federal and State posters from their website. Choose which posters you need and it will redirect you to the appropriate site to get that poster.

If you need assistance with any other state posters feel free to contact our office.

Identity Theft

It seems that we are hearing more and more about identify theft in the news and through tax season we have heard even more about it. There are multiple ways for people to steal your identify or steal money from your accounts, so you have to become more diligent in your efforts to recognize it and combat it to keep you too from becoming a victim. There have been massive refunds in the billions of dollars that had been refunded for fraudulent tax returns filed. The IRS specifically has set up separate divisions who deal with this issue exclusively and have staffed more people who try to prevent the frauds initially as well as locate and prosecute fraud cases.

We have had a few of our clients have their identities stolen using various methods such as someone using their Social Security Number to file an early, fictitious income tax return claiming a false claim for a refund; invalid credit card charges appearing on their credit card statements; receiving phone calls about owing money to the Internal Revenue Service for back taxes and penalties; letters being sent fraudulently showing a balance due with a false phone number to call. The caller ID may actually read IRS and the letterhead may look legitimate, but don't assume that it is valid. Keep alert and trust your instincts.

The IRS will not contact you by e-mail. They typically send letters via the US Mail explaining that you may have been a victim of identity theft. We suggest verifying that the number given is a valid IRS number by calling the generic IRS number (1-800-829-1040) or checking their web site (www.irs.gov) to verify that it is valid before taking any further steps. The IRS also does not take credit card, debit card or prepaid card information over the telephone.

We are happy to help you to determine if the letter you receive is valid. The IRS will give you the appropriate steps to follow as well if they have contacted you regarding a problem with your return with identity theft. You will have to file an affidavit - Form 14039, contact the local police, and possibly contact Social Security Administration as well if you have been impacted with employment-related identity theft.

It is strongly suggested that you check your credit report periodically to make sure that there aren't issues with your credit.

Here are the three main credit reporting companies:

Equifax	1-800-525-6285	www.equifax.com
Experian	1-888-397-3742	www.experian.com
Trans Union	1-800-916-8800	www.transunion.com

Employment Identity Theft was mentioned above. If you received a letter 4491C from the IRS stating that you were the victim of employment related identity theft; received a notice from the IRS stating that you received wages that you did not earn; received a W-2 or 1099 from an employer for whom you didn't work; received your Social Security Administration annual earnings statement showing more income than you actually earned, then you may have been a victim of employment-related identity theft. You would contact the IRS after verifying that it is a valid number; contact Social Security Administration to review the earnings report; file a police report; check your credit record; close accounts that were tampered with and accounts that you weren't aware existed. Additionally, don't carry anything in your wallet that has your Social Security Number on it; don't give out the number in a phone call just because it is asked for (sometimes, the scammers know the last four digits of your SSN). Protect your financial documents at home. Protect your personal computers using firewalls, up to date anti-spam software, and use strong passwords on internet accounts that are different and change them frequently. Check your credit report periodically and review your bank account and credit card activity on a daily basis if possible.

Identity theft and financial information theft has been an issue that is growing in intensity. Keep yourself insulated as much as possible without going over to the paranoid, dark side. Use reasonable methods, trust your instincts and act quickly if you suspect something is wrong.





422 Epic Drive
 Chambersburg, PA 17201
 717-263-8713 (Phone)
 717-263-9435 (Fax)
 www.gpallc.net

Join *Bob and Darla* in St. Maarten!

Start the new year right at the Westin Dawn Beach Resort and Spa on the Dutch side of the amazing island of St. Maarten in the Netherlands Antilles! Relax in the shade of a palm tree on their expansive white sand beach where the turquoise waters are just a step from your room. Or just relax in the largest infinity pool on the island...

Where? The Westin Dawn Beach Resort and Spa
When? February 2-6, 2015

For complete info and list of topics to be discussed please visit : www.adcpa.org/events

We'd love for you to join us!



Gray Pilgrim Annual Golf Tournament

Another successful Golf Tournament!!
 Congratulations to Ethan's team for winning first prize this year.

If you missed it this year, don't worry, there is always next year!
SAVE THE DATE!!!
 Our next Golf Tournament will be July 17, 2015.

