

Building a Smarter Workforce

Payroll and Benefits IRS Reporting Requirements

June 8, 2016

Governmental Accounting and Auditing Symposium



**Vermont League of Cities and Towns
and the Vermont State Auditor**



Hickok & Boardman
HR INTELLIGENCE



Agenda

- IRS and DOL Reporting Requirements
- Payroll
 - W2 – which boxes report which items?
 - Taxable Fringe Benefits Reporting on the W2
 - Employer Provided Health Care Values on W2
- Benefits
 - 1095C/1094C Reporting – Health Insurance Offers and Affordability
 - Self-Insured – Actual Coverage Dates



Payroll and The W2

- A year end summary of all taxable and non-taxable wages
- A year end summary of pre-tax and post-tax deductions
- A year end summary of the costs of the health care coverage provided to employee (and family if applicable).

Fringe Benefits

Deductions



- Health Insurance/
Cafeteria Plans

➤ Retirement Plans

- 403b, 401k, 457

➤ Other voluntary deductions

- Supplemental plans (life, disability)
- Charitable Donations



Additions

➤ Relocation



➤ Reimbursement for education



➤ Travel expenses

➤ Parking-transportation

➤ Meals

➤ Co Car





22222		Void <input type="checkbox"/>	a Employee's social security number		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number		Taxable Wages (pre-tax deductions are excluded from this box)		1 Wages, tips, other compensation	2 Federal income tax withheld	
c Employer's name		Wages that are subject to SS tax – 6.2%		3 Social security wages	4 Social security tax withheld	
		Wages subject to Medicare – 1.45%		5 Medicare wages and tips	6 Medicare tax withheld	
d Control number				7 Social security tips	8 Allocated tips	
e Employee's first name		Capped at \$5,000 per household. Include any amounts over \$5,000 in boxes 1, 3, and 5.		9	10 Dependent care benefits	
				Suff. 11 Nonqualified plans	12a See instructions for box 12	
				13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	
				14 Other	12c	
f Employee's address and ZIP code					12d	
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement

2016

Department of the Treasury—Internal Revenue Service

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22222		Void <input type="checkbox"/>	a Employee's social security number		For Official Use Only ▶ OMB No. 1545-0008	
b Employer identification number			1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name			3 Social security wages		4 Social security tax withheld	
			5 Medicare wages and tips		6 Medicare tax withheld	
			7 Social security tips		8 Allocated tips	
d Control number			9		10 Dependent care benefits	
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		12a See instructions for box 12
			13 Statutory employee <input type="checkbox"/>		Retirement plan <input checked="" type="checkbox"/>	Third-party sick pay <input type="checkbox"/>
			14 Other		12b	
					12c	
					12d	
f Employee's address and ZIP code						
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
						20 Locality name

Box 12 Codes

Box 13 – retirement plan is often confusing to employers

Box 14 LABEL each item (no codes)

Form **W-2** Wage and Tax Statement **2016** Department of the Treasury—Internal Revenue Service
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Box 12 Codes

Form W-2 Reference Guide for Box 12 Codes

A	Uncollected social security or RRTA tax on tips	K	20% excise tax on excess golden parachute payments	V	Income from exercise of nonstatutory stock option(s)
B	Uncollected Medicare tax on tips (but not Additional Medicare Tax)	L	Substantiated employee business expense reimbursements	W	Employer contributions (including employee contributions through a cafeteria plan) to an employee's health savings account (HSA)
C	Taxable cost of group-term life insurance over \$50,000	M	Uncollected social security or RRTA tax on taxable cost of group-term life insurance over \$50,000 (former employees only)	Y	Deferrals under a section 409A nonqualified deferred compensation plan
D	Elective deferrals under a section 401(k) cash or deferred arrangement plan (including a SIMPLE 401(k) arrangement)	N	Uncollected Medicare tax on taxable cost of group-term life insurance over \$50,000 (but not Additional Medicare Tax)(former employees only)	Z	Income under a nonqualified deferred compensation plan that fails to satisfy section 409A
E	Elective deferrals under a section 403(b) salary reduction agreement	P	Excludable moving expense reimbursements paid directly to employee	AA	Designated Roth contributions under a section 401(k) plan
F	Elective deferrals under a section 408(k)(6) salary reduction SEP	Q	Nontaxable combat pay	BB	Designated Roth contributions under a section 403(b) plan
G	Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan	R	Employer contributions to an Archer MSA	DD	Cost of employer-sponsored health coverage
H	Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan	S	Employee salary reduction contributions under a section 408(p) SIMPLE plan	EE	Designated Roth contributions under a governmental section 457(b) plan
J	Nontaxable sick pay	T	Adoption benefits		

Box 12 – C: Group Term Life Insurance (Section 79)

- Life insurance provided by the employer in amounts over \$50K have an imputed income value.
- The amounts over the 50K divided by units of 1K each are then multiplied by an amount determined by the age of the person provided the benefit



Group Term Life Insurance (IRS Pub 15B)

➤ Age	Cost per unit per month
➤ Under 25	\$.05
➤ through 29	\$.06
➤ 30 through 34	\$.08
➤ 35 through 39	\$.09
➤ 40 through 44	\$.10
➤ 45 through 49	\$.15
➤ 50 through 54	\$.23
➤ 55 through 59	\$.43
➤ 60 through 64	\$.66
➤ 65 through 69	\$1.27
➤ 70 and older	\$ 2.06

Group Term Life Insurance

Imputed income for amounts over \$50,000

Take value of insurance	\$120,000
Less allowed amount	<u>-\$ 50,000</u>
Amount to calculate imputed income	\$70,000

Divide by 1000	70 units
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Find employees age and amount (using age 45)

Amount is .15 per unit X 70 units

\$10.50

That is taxable amount for each MONTH



Box 12 – D, G, E

Retirement Plans – 401k, 403b, 457

Non taxable if payroll deducted for
Federal, state and local taxes

Taxable for OASDI and Medicare



Employer must have written plan document

Watch for plan document rules

What is the definition of compensation

How often can employee change deferrals

Box 12 – Code P Relocation

Relocation

- Initial Test
 - Time, Distance
- Deductibility Test
- Two distinct non-taxable, qualified reimbursements
 - Moving of oneself and family
 - Moving of household goods and personal items



Q: What about lump sum amounts?

A: TAXABLE (NON Accountable)

Q: Does it matter if I reimburse the employee or pay a vendor directly?

A: only on what is reported on the W2.

Example:


Non taxable for 30 days!!




Temp housing is always taxable



Always taxable!



Non taxable

HOTEL



Mileage -19 cents per mile!!





Box 12 – DD

Value of Employer Provided Health Care

- Entire cost (ER & EE)
 - If self-insured - COBRA Rate (not including the 2%)
 - If Fully Insured – Use premium rate

- Best Practice
 - Paycheck to paycheck basis
 - Saves time on termination
 - Changes throughout the year (value changes and coverage changes)



Form 1095-C
 Department of the Treasury
 Internal Revenue Service

Employer-Provided Health Insurance Offer and Coverage

Part I Employee

1 Name of employee (SSN) 7 Name of employee (SSN)
 3 Street address (including apartment no.) 9 Street address
 4 City or town 5 State or province 6 Country and ZIP or foreign postal code 11 City or town

Line 14 – OFFER of coverage

1A – qualifying offer
 1B, 1C, 1D – ee, ee & dep, ee & spouse
 1E – ee, dep & spouse
 1F- not min value
 1G-offer to pt (not ft at anytime during year)
 1H – NO OFFER

Line 15 – COST of MONTHLY Coverage to EE

Part II Employee Offer and Coverage

	All 12 Months	Jan	Feb	Mar	June	July
14 Offer of Coverage (enter required code)						
15 Employee Share of Lowest Cost Monthly Premium, for Self-Only Minimum Value Coverage	\$	\$	\$	\$	\$	\$
16 Applicable Section 4980H Safe Harbor (enter code, if applicable)						

Line 16 – coverage and affordability

2A – not an employee during the month
 2B – not a full time employee during the month
 2C – enrolled
 2D – Limited Non-Assessment Period
 2E- multi employer
 2F, 2G, 2H – safe harbor affordability codes:
 W2, federal poverty level, rate of pay

Part III Covered Individuals

If Employer provided self-insured coverage, check the box and enter the information for each covered individual.

(a) Name of covered individual(s)	(b) SSN	(c) DOB (if SSN is not available)	(d) Covered all 12 months	Month												
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
17			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Form 1095-C (2015)

Questions?



Thank You!



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