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Information Every Business Needs to Know

## HR & Benefits Advisor

### March 2010

Brought to you by: **Hardenbergh Insurance Group**

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### Work Trends in 2010

As businesses begin to hire in greater numbers this year, Manpower, Inc. has identified a number of hot trends that are likely to impact your business this year. From virtual workplace solutions, to flexible schedules and knowledge management - these trends will help your company be more successful in 2010.



### Model Employer Children's Health Insurance Program Notice



On February 4, 2009, President Obama signed the Children's Health Insurance Program Reauthorization Act (CHIPRA) of 2009. CHIPRA includes a requirement that the Departments of Labor and Health and Human

#### The Agile Workforce

You will always have a place for your top talent. However, your workplace structure may need to look different than it did in the past. This new structure might include hiring contract workers or outsourcing projects or even whole functions of your business. Allowing employees to have more flexible schedules and telecommute rather than travel can make a significant difference in employee satisfaction and productivity. Evaluate your company from the top down to recalibrate who is making the business run, and consider all your available labor options in deciding how all your essential workers can be best utilized and accommodated.

#### Virtual Work

Embracing technology can increase productivity, enhance service and expand the geographic area in which your business operates. Creating a virtual workplace by providing employees with remote access to a company's information network and computer systems allows a business to keep valuable employees, forge collaboration and improve efficiency. You can also create virtual sales meetings by combining real-time desktop sharing with phone conferencing so your sales force and prospective clients can "meet" without having to travel. Business managers should explore these technology options when reassessing their workplace requirements and plans for the future.

#### Retaining Knowledge

The retirement of the vast baby boomer generation in today's workforce can mean a mass exodus of information that is vital to a company's success. How are you going to ensure that the valuable information residing with your employees is shared and preserved? Well before a worker retires, employers should put systems into place that facilitate the transfer of employee knowledge. This process is referred to as

Services develop a model notice for employers to use to inform employees of potential opportunities currently available in the State in which the employee resides for group health plan premium assistance under Medicaid and the Children's Health Insurance Program (CHIP). The Department of Labor was required to provide the model notice to employers within one year of CHIPRA's enactment.

Through a notice in the [February 4, 2010 FEDERAL REGISTER](#), the Department's Employee Benefits Security Administration (EBSA) announces the availability of the Model Employer CHIP Notice. The notice provides the "form and content of notice" as well as the "timing and delivery of the notice" while outlining the requirements for addition of state-specific information.

The [model Employer CHIP Notice](#) is now available in this electronic format.

## Updated Application for Expedited Review of Denial of COBRA Premium Reduction



knowledge management.

Knowledge management does not wait for casual transition meetings to take place. Instead, employees should produce, organize and build an information database so that new employees do not have to duplicate prior efforts, waste time and money, or worse, lose the information permanently. These systems are especially important for employees with vitally important information related to a company's proprietary technology, as well as sales and marketing information and strategies. There should also be a continuous, sustained effort to make this information easily accessible. Businesses that do not yet have knowledge management systems in place should develop strategies to best preserve information in a structured, organized way.

As you move forward in 2010, stay ahead of the competition by realistically assessing your company, adapting to change and tap into trends that will allow your company to thrive and grow.

## Contract Workers - Popular Option in Today's Economy

To transition from laying off to hiring full-time, many businesses are hiring contract or contingent workers to fulfill certain staffing needs on a temporary basis. A contract worker or independent contractor is typically hired by a company to complete an assignment or project, and may have expertise related to a specific subject matter.



The use of contract workers along with your permanent staff can help you accomplish short-term objectives and also reduce costs. However, it is important for employers that hire contract workers to make the relationship as mutually productive as possible. The following are some tips to help you get the most out of your contingent workforce.

### How to Increase the Productivity of Your Contract Workers

First, an employer should make contingent workers feel that they are an important part of the business. Because of the temporary nature of their work, it's easy for contingent workers to feel emotionally and professionally disconnected from the company they serve. To overcome these issues, employers should implement orientation programs for their contingent workers. These programs should express the objectives and genuine values of the business, and ask the contingent workers to join in the effort.

Second, an employer needs to ensure that contingent workers have all the resources necessary to carry out their jobs. Having less costly labor won't pay dividends for a business that fails to invest enough in workers to enable them to accomplish their tasks. For skilled workers, this may mean updating computer equipment, or for others, giving proper guidance and management.

### Avoid Penalties - Know the Difference between a Contract Worker and an Employee

Employers should be aware of the common pitfall of misclassifying contingent workers as "independent contractors" when they are in reality employees. The following are tips every business should know about

If an employee believes he or she is eligible for COBRA premium reduction through an employer-sponsored private sector health plan but the request for these benefits has been denied, the employee may apply to the U.S. Department of Labor to review the denial. If the continuation coverage is provided through a Federal, State or local government plan, or if it is provided pursuant to State insurance law, the employee should direct the request for review to the Department of Health and Human Services, or [access their website](#). Click here for more information on [Review of Denial of COBRA Premium Reduction](#).

**Applications:**  
[Printable Application](#) for Expedited Review of Denial of COBRA Premium Reduction

[Online Application](#) for Expedited Review of Denial of COBRA Premium Reduction

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## Updated Information on Tax Benefits for Education

The IRS has released an updated version of Publication 970 (Tax Benefits for Education) for use in preparing 2009 tax returns. One of the key topics covered is employer-provided educational assistance. The publication describes qualified educational assistance programs. An employer can exclude up to \$5,250 of educational assistance from the employee's wages each year under an educational

hiring people as independent contractors versus hiring them as employees:

- Three characteristics are used by the IRS to determine the relationship between businesses and workers: Behavioral Control, Financial Control, and the Type of Relationship.
- Behavioral Control covers facts that show whether the business has a right to direct or control how the work is done through instructions, training or other means.
- Financial Control covers facts that show whether the business has a right to direct or control the financial and business aspects of the worker's job.
- The Type of Relationship factor relates to how the workers and the business owner perceive their relationship.
- If you have the right to control or direct not only what is to be done, but also how it is to be done, then your workers are most likely employees. For additional information, [please click here](#).

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## Employee Social Security Numbers - How to Handle Discrepancies

A discrepancy in an employee's Social Security Number (SSN) usually arises when an employer reports an employee's wages on the Form W-2 (Wage and Tax Statement). The Social Security Administration (SSA) processes these wage reports as an agent of the Internal Revenue Service.

The SSA uses earnings information to determine eligibility for and the amount of Social Security benefits to which a worker may be entitled. If the combination of name and SSN on a Form W-2 cannot be matched to an SSA record, the SSA is unable to attribute the earnings to a worker's record. There are a number of reasons why reported information may not match records, including typographical errors, unreported name changes, inaccurate or incomplete employer records or misuse of a SSN.

### Who Gets a No-Match Letter?

After the SSA processes wage reports submitted by an employer, it makes an effort to resolve items that do not match by sending letters to employees and employers, as well as self-employed individuals, informing them that a reported name or SSN does not match the Administration's records. These letters are commonly called "no-match" letters. The goal of these letters is to obtain corrected information to help the SSA identify the individual to whom the earnings belong so that they can be correctly credited to the individual's earnings record. The following is a brief description of two types of no-match letters.

**Worker Letter** - When the SSA processes wage reports, it notifies every worker whose name and SSN could not be matched to the SSA's records. This letter is sent to the address on the worker's Form W-2. If a valid address cannot be confirmed, this letter is sent to the employer.

**Employer Letter** - Approximately two weeks after the release of the



assistance program. This means an employer should not include these educational benefits with employee wages, tips and other compensation in the Form W-2.

View a copy of [Publication 970](#) or click for more information on tax issues related to [employer-provided educational assistance](#).

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## HHS Releases List of Reported Breaches of Protected Health Information

On February 22, 2010, the U.S. Department of Health and Human Services' Office of Civil Rights (OCR) posted on its website a list of the covered entities that have reported breaches of unsecured protected health information affecting more than 500 individuals. The HITECH Act requires covered entities to provide notification of breaches of unsecured protected health information to HHS. Breaches that affected 500 or more individuals must be reported to HHS within 60 days, and covered entities must provide this notification via the online form on the OCR website.

HHS is obligated under the HITECH Act to post on its website a list of the covered entities that have reported breaches affecting more than 500 individuals. The list of the [covered entities](#) that have reported such breaches, along with other relevant information about each breach.

worker letters, SSA sends employer no-match letters. Currently, these are sent to any employer who reported more than 10 no-matches that represented more than .5% of the W-2s submitted by that employer.

### Responding to a No-Match Letter

The notice to employers advises them of the no-matches, and asks for corrected information. Employer notices will list up to 500 SSNs (without names) that the SSA could not match. Employers can contact the SSA for a full list if there are more than 500 no-matches. Employers are then asked to prepare [Form W-2c](#) (Corrected Wage and Tax Statement) for each SSN that was listed in the notice which the employer was able to correct.

In addition, one step recommended by the Department of Homeland Security (DHS) is to ask the employee to contact Social Security if there is a discrepancy with an SSA record. To ensure that an employee's record is correct, the SSA recommends following these steps:

1. If an employee's Social Security card does not show the correct name or SSN, or if the employee has lost his or her Social Security card, it is prudent for the employee to contact the local Social Security Office.
2. The employee should provide the employer with the correct information as shown on the Social Security card or the corrected card.

However, if the employee's name and SSN as shown on the Social Security card does match the information shown on the employee's Form W-2, it is important for the employee to contact the local Social Security office or call 1-800-772-1213 to find out why the SSA record does not match what was reported to the employer.

### For More Information

- [Employer No-Match Letters Process](#)
- [E-Verify](#) - is a free Internet-based system operated by the Department of Homeland Security (DHS) in partnership with the Social Security Administration (SSA) that allows participating employers to electronically verify the employment eligibility of their newly hired employees
- [Consent-Based Social Security Number Verification](#) - is a fee and consent-based Social Security Number verification service available to enrolled private companies and Federal, State and local government agencies. It provides instant, automated verification and easily handles large volume requests. Using CBSV, participating companies can verify the SSNs of their customers and clients. An Employer Identification Number (EIN) is required to enroll and become a CBSV user.

## How to Get a Credit for Retirement Savings Contributions

If an individual makes eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, a tax credit may be available if eligibility criteria are met. The following are six important areas to review related to the Retirement Savings Contributions Credit:



For more information, visit the [OCR website](#).

### **Income Limits**

The Savers Credit, formally known as the Retirement Savings Contributions Credit, applies to individuals with a filing status and income of:

- Single, married filing separately, or qualifying widow(er), with income up to \$27,750
- Head of Household, with income up to \$41,625
- Married Filing Jointly, with income up to \$55,500

### **Eligibility Requirements**

To be eligible for the credit you must have been born before January 2, 1992, you cannot have been a full-time student during the calendar year and cannot be claimed as a dependent on another person's return.

### **Credit Amount**

If you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans, you may be able to take a credit of up to \$1,000 or up to \$2,000 if filing jointly. The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.

### **Distributions**

When figuring this credit, you generally must subtract the amount of distributions you have received from your retirement plans from the contributions you have made. This rule applies to distributions received in the two years before the year the credit is claimed, the year the credit is claimed, and the period after the end of the credit year but before the due date - including extensions - for filing the return for the credit year.

### **Other Tax Benefits**

The Retirement Savings Contributions Credit is in addition to other tax benefits which may result from the retirement contributions. For example, most workers at these income levels may deduct all or part of their contributions to a traditional IRA. Contributions to a regular 401(k) plan are not subject to income tax until withdrawn from the plan.

### **Forms to Use**

To claim the credit use [Form 8880](#), Credit for Qualified Retirement Savings Contributions.

For more information, review IRS Publication 590, Individual Retirement Arrangements (IRAs), Publication 4703, Retirement Savings Contributions Credit, and Form 8880. Publications and forms can be downloaded at [IRS.gov](#) or ordered by calling 800-TAX-FORM (800-829-3676).

### **Additional Information**

- [Tax Topic 610](#)
- [Form 8880](#), Credit for Qualified Retirement Savings Contributions
- [Publication 590](#), Individual Retirement Arrangements (IRAs)

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