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**Setting the Course.
Leading the Way.**



Year-End Seminar 2013

**What's New for
2013/2014**

Handout Manual

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What's New for 2013/2014

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Federal Rates and Limits

Social Security and Medicare

Wage Base/ Tax Rate/ Tax Amount	2013 Amount/ Percentage	2014 Amount/ Percentage
Social Security wage base	\$113,700	\$117,000
Social Security tax rate	6.2%	6.2%
Social Security tax amount	\$7,049.40	\$7,254.00
Medicare wage base	Unlimited	Unlimited
Medicare tax rate	1.45%	1.45%
Medicare surtax rate*	2.35% (1.45% + 0.9%)	2.35% (1.45% + 0.9%)

*Medicare surtax rate imposed on wages in excess of \$200,000

Pension Plan Limits

Type	2013	2014
401(k) and 403(b)	\$17,500	\$17,500
403(b) alternative limit	\$26,000	\$26,000
408(k)	\$17,500	\$17,500
408(p)	\$12,000	\$12,000
457	\$17,500	\$17,500
457 alternative limit	\$35,000	\$35,000
501(c)	\$17,500	\$17,500
401(k), 403(b), 408(k), and 457 catch-up	\$5,500	\$5,500
408(p) catch-up	\$2,500	\$2,500
Annual compensation limit	\$255,000	\$260,000

Standard Mileage Rates

Purpose	2013	2014
Business	56.5 cents per mile	
Charitable	14 cents per mile	
Medical or moving	24 cents per mile	

Health Savings Account (HSA) Limits

Type	Coverage	2013	2014
Maximum annual contributions	Self-only	\$3,250	\$3,300
	Family	\$6,450	\$6,550
Minimum annual deductibles	Self-only	\$1,250	\$1,250
	Family	\$2,500	\$2,500
Maximum out-of-pocket	Self-only	\$6,250	\$6,350
	Family	\$12,500	\$12,700

Federal Wages

Type	2013	2014
Federal minimum wage	\$7.25 per hour	
Federal maximum hourly tip credit	\$5.12 per hour	
Federal minimum cash wage	\$2.13 per hour	

Other Federal Limits

Type	2013	2014
Federal withholding allowance amount	\$3,900	
Adoption assistance limit	\$12,650	

Qualified Transportation Limits

Commuter highway vehicle and transit pass	\$245 per month	
Qualified parking	\$245 per month	
Bicycle commuting	\$20 per month	



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State Rates and Limits

SUI Taxable Wage Base Changes

State	2013	2014
AK	\$36,900	
AL	\$8,000	\$8,000
AR	\$12,000	\$12,000
AZ	\$7,000	\$7,000
CA	\$7,000	
CO	\$11,300	\$11,700
CT	\$15,000	\$15,000

State	2013	2014
DC	\$9,000	\$9,000
DE	\$10,500	\$18,500
FL	\$8,000	\$8,000
GA	\$9,500	\$9,500
HI	\$38,800	
IA	\$26,000	
ID	\$34,800	

SUI Taxable Wage Base Changes (Continued)

State	2013	2014
IL	\$12,900	\$12,960
IN	\$9,500	\$9,500
KS	\$8,000	\$8,000
KY	\$9,300	\$9,600
LA	\$7,700	\$7,700
MA	\$14,000	\$14,000
MD	\$8,500	\$8,500

State	2013	2014
ME	\$12,000	\$12,000
MI	\$9,500	\$9,500
MN	\$29,000	\$29,000
MO	\$13,000	\$13,000
MS	\$14,000	\$14,000
MT	\$27,900	\$29,000
NC	\$20,900	

SUI Taxable Wage Base Changes (Continued)

State	2013	2014
ND	\$31,800	
NE	\$9,000	\$9,000
NH	\$14,000	\$14,000
NJ	\$30,900	\$31,500
NM	\$22,900	
NV	\$26,900	\$27,400
NY	\$8,500	\$10,300

State	2013	2014
OH	\$9,000	\$9,000
OK	\$20,100	\$18,700
OR	\$34,100	
PA	\$8,500	\$8,750
PR	\$7,000	\$7,000
RI	\$20,200	
SC	\$12,000	\$12,000

SUI Taxable Wage Base Changes (Continued)

State	2013	2014
SD	\$13,000	\$14,000
TN	\$9,000	\$9,000
TX	\$9,000	\$9,000
UT	\$30,300	
VA	\$8,000	\$8,000
VI	\$23,700	

State	2013	2014
VT	\$16,000	\$16,000
WA	\$39,800	\$41,300
WI	\$14,000	\$14,000
WV	\$12,000	\$12,000
WY	\$23,800	

State Minimum Wage Changes

State	Effective Date	Minimum Wage		Minimum Cash Wage	Maximum Hourly Tip Credit
		From	To		
AZ	January 1, 2013	\$7.65	\$7.80	\$4.80	\$3.00
CO	January 1, 2013	\$7.36	\$7.78	\$4.76	\$3.02
CT	January 1, 2014	\$8.25	\$8.70	\$5.69	\$3.01
MO	January 1, 2013	\$7.25	\$7.35	\$3.675	\$3.675
MT	January 1, 2013	\$7.65	\$7.80	\$7.80	N/A
OH	January 1, 2013	\$7.25	\$7.85	\$3.92	\$3.93

State Minimum Wage Changes (Continued)

State	Effective Date	Minimum Wage		Minimum Cash Wage	Maximum Hourly Tip Credit
		From	To		
OR	January 1, 2013	\$8.80	\$8.95	\$8.95	N/A
RI	January 1, 2014	\$7.75	\$8.00	\$2.89	\$5.11
VT	January 1, 2013	\$8.46	\$8.60	\$4.17	\$4.43
WA	January 1, 2013	\$9.04	\$9.19	\$9.19	N/A



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Federal Hot Topics



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Affordable Care Act

Shared Responsibility: Employer Mandate

- Will be effective on January 1, 2014
- Requires that all applicable large employers offer healthcare coverage to at least 95 percent of their full-time employees (and starting in 2015, to their children under age 26) in order to be exempt from the “no coverage” penalty of \$2,000 per full-time employee (minus the first 30)
- Requires that large employers provide minimum essential coverage (MEC) that:
 - Is affordable
 - Meets the requirements for minimum value
- States that applicable large employers may pay a nondeductible penalty for each full-time employee if that employee goes to the Marketplace and obtains coverage and a premium tax subsidy because the employer failed to offer MEC that was both affordable and of minimum value

Shared Responsibility: Employer Mandate (Continued)

- The Employer Mandate:
 - Does not require applicable large employers to provide coverage to part-time employees
 - Determines the applicable-large-employer status on a controlled group basis
 - Determines and assesses penalties with respect to each separate applicable-large-employer member

Shared Responsibility: Employer Mandate (Continued)

- The Employer Mandate also requires annual information reporting to the IRS:
 - **Section 6055** requires annual information reporting by health-insurance insurers, self-insuring employers, government agencies, and other providers of health coverage. They must file annual returns to report data for whom minimum essential coverage is provided.
 - **Section 6056** requires annual information reporting by applicable large employers about the health insurance that the employers offer (or do not offer) to their full-time employees.
- On July 9, 2013, the U.S. Department of the Treasury announced transition relief for 2014 from the annual information reporting and Shared Responsibility penalties until January 1, 2015.
- For more information about transition relief, go to <http://www.irs.gov/pub/irs-drop/n-13-45.PDF>.

Health Insurance Marketplace

- The Health Insurance Marketplace is a one-stop shop where individuals can find and compare options for health insurance.
- Open enrollment for the Marketplace began on October 1, 2013, and ends on March 31, 2014, with coverage beginning as soon as January 1, 2014.
- Insurance plans available through the Marketplace are offered by private insurance companies and provide essential health benefits.
- The Marketplace offers four categories of insurance plans which relate to percentage of covered medical expenses and premium cost:
 - Bronze
 - Silver
 - Gold
 - Platinum
- The Marketplace also offers a catastrophic coverage option with limited eligibility.
- Each state will have its own Marketplace that can either be run by the specific state or by the federal government.

Health Insurance Marketplace (Continued)

- The Marketplace is available to individuals with or without employer-sponsored health-insurance coverage.
- Some individuals will be eligible for an immediate tax credit that will lower their monthly insurance premium.
- Individuals can apply online, by mail, or in-person and must:
 - Live in the U.S.
 - Be a U.S. citizen or national (or be lawfully present)
 - Not be currently incarcerated
- The Marketplace also offers a Small Business Health Options Program (SHOP) Marketplace for small businesses employing 50 or fewer full-time and full-time equivalent employees.
- Beginning in 2016, the SHOP Marketplace will be open to employers with up to 100 full-time and full-time equivalent employees.
- Beginning in 2017, large employers may be permitted to participate in the Marketplace.

Health Insurance Marketplace (Continued)

- To learn more about the Marketplace, visit the ADP Web site and go to the Health Care Reform page at <http://www.adp.com/health-care-reform/>. Then, scroll down to the Insights & Resources section.

Insights & Resources

Healthcare Exchanges
UNDERSTANDING THE MARKETPLACE
A major feature of the Affordable Care Act (ACA) is the Health Insurance Marketplace, known as the Affordable Insurance Exchange. These "Exchanges" are expected to be up and running by October 2013 to provide coverage starting in January 2014.

INFOGRAPHIC
Understanding the Marketplace – Healthcare Exchanges

SHARE: [in](#) [t](#) [g+](#)

2013 ADP Annual Health Benefits Report
RESEARCH

SHARE: [in](#) [t](#) [g+](#)

Health Care Reform Update
HEALTH CARE REFORM UPDATE / 07.03.13
Delay Announced for Penalties & Reporting Requirements of the Employer Shared Responsibility...

SHARE: [in](#) [t](#) [g+](#)

Employee Notice of Coverage Options

- Effective on October 1, 2013, employers are responsible for providing their employees with the Notice of Coverage Options.
- All employers subject to the Fair Labor Standards Act (FLSA) are subject to this requirement, not only employers with 50 or more full-time and full-time equivalent employees. The notice must be sent to **all** employees, not just to those who are enrolled in employer-sponsored coverage.
- Notices must be specific and include the following:
 - Services provided by the Health Insurance Marketplace
 - Employer-related information and available employer-sponsored coverage
 - Information needed by employees to apply for coverage through the Marketplace
- The notices are free of charge and can be provided through first-class mail or electronically by following the U.S. Department of Labor electronic disclosure safe harbor rules, 29 CFR 2520.104b-1(c).
- For more information about these rules, go to <http://www.dol.gov/ebsa/regs/fedreg/final/2002008499.htm>.

Employee Notice of Coverage Options (Continued)

- There are no fines or penalties at this time for failing to provide the Notice of Coverage Options to employees.
- After October 1, 2013, employers will be required to provide new hires with the Notice of Coverage Options within 14 days of a new hire's start date.
 - You can access and view *The Sample Notice of Coverage Options* and the *DOL Model Notices* on the ADP Support Center in the Health Care Reform section.
- For more information about the employee Notice of Coverage Options, visit the U.S. Department of Labor's Web site at www.dol.gov/ebsa/healthreform.

Amended Regulations

- For plan years beginning on or after January 1, 2014, group health plans, including employer-sponsored group health plans, may not impose:
 - Annual dollar limits on essential health benefits
 - Waiting periods of longer than 90 days
 - Exclusions for pre-existing conditions

Additional Medicare Tax on High-Wage Earners

- Effective on January 1, 2013
- Additional rate is 0.9 percent for a total of 2.35 percent (1.45 percent + 0.9 percent = 2.35 percent)
- Additional rate withholding for wages that exceed \$200,000
- No employer match; imposed on employees only
- No impacts to Form W-2 reporting
- Form 941 impact: A new line to reflect total wages over \$200,000 and total tax at 0.9 percent

Additional Medicare Tax on High-Wage Earners (Continued)

Filing Status	Threshold Amount
Married filing jointly	\$250,000
Married filing separately	\$125,000
Single	\$200,000
Head of household (with qualifying person)	\$200,000
Qualifying widow(er) with dependent child	\$200,000

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2

- Reporting became mandatory in 2012 for employers filing 250 or more Forms W-2 in the prior year.
- The IRS provides relief from filing the cost of coverage for some of the following employers, coverage types, and situations:
 - Employers that file fewer than 250 Forms W-2 in the prior year
 - Multiple-employer plans
 - Health Reimbursement Arrangements (HRAs)
 - Dental and vision plans that:
 - Are not integrated into another group health plan
 - Give participants the choice of declining the coverage or electing it and paying additional premiums
 - Self-insured plans of employers not subject to COBRA
 - Employee assistance programs, on-site medical clinics, or wellness programs

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2 (Continued)

- Employers are required to report the cost of employer-sponsored healthcare coverage using code DD in box 12 of Form W-2.
- The cost reported, in general, should include both employee-paid and employer-paid portions.
- Employers are not required to issue Forms W-2 solely to report the value of the healthcare coverage for retirees or former employees.
- Employers are not required to report third-party sick pay for cost of coverage.
- Employers must also determine which types of healthcare coverage qualify as reportable on Form W-2.

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2 (Continued)

IRS Chart of Coverage Types

Form W-2 Reporting of Employer-Sponsored Health Coverage			
Coverage Type	Form W-2, Box 12, Code DD		
	Report	Do Not Report	Optional
Major medical	X		
Dental or vision plan not integrated into another medical or health plan			X
Dental or vision plan which gives the choice of declining or electing and paying an additional premium			X
Health Flexible Spending Arrangement (FSA) funded solely by salary-reduction amounts		X	
Health FSA value for the plan year in excess of employee's cafeteria plan salary reductions for all qualified benefits	X		
Health Reimbursement Arrangement (HRA) contributions			X
Health Savings Arrangement (HSA) contributions (employer or employee)		X	
Archer Medical Savings Account (Archer MSA) contributions (employer or employee)		X	
Hospital indemnity or specified illness (insured or self-funded), paid on after-tax basis		X	
Hospital indemnity or specified illness (insured or self-funded), paid through salary reduction (pre-tax) or by	X		

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2 (Continued)

- To access the IRS chart, go to <http://www.irs.gov/uac/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>.
- As per the IRS, employers can calculate the reportable cost of healthcare coverage using the following methods:
 - COBRA applicable premium
 - Modified COBRA premium
 - Premium charged

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2 (Continued)

- Memo codes are available and can be used to enter the employer amount.
- You can make one memo entry for the total amount of employee and employer costs once the healthcare totals are verified.
- To verify if a memo code has been set up to track the cost of healthcare, you can review the Master Control or Wage and Tax Register for the following codes:
 - HLTHVL
 - HLTH PLAN VALUE
- For more information about verifying and setting up memo codes and making payroll entries, go to the ADP Support Center and search for Health Care Reform.

Reporting of Cost of Employer-Sponsored Health Coverage on Form W-2 (Continued)

- Access the following reports to verify the Health Plan Value memo code setup:

Report	Description
Master Control	<ul style="list-style-type: none">• Under Company Options > Memo Literals, the description for the code under Report will be HLTHVL; the description under Check/Voucher will be HLTH PLAN VALUE• Under Company Options > Company Totals, a year-to-date accumulator with the HLTHVL description will also be displayed
Wage and Tax Register	<ul style="list-style-type: none">• On both Detail and Company Totals pages, amounts are displayed as year-to-date totals with a description of Health Plans Value• Quarter-to-date totals are not displayed.



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Federal Topics

Defense of Marriage Act (DOMA)

- On June 26, 2013, the U.S. Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) is unconstitutional.
- Section 3 defined marriage for federal purposes to mean a legal union only between one man and one woman as husband and wife.
- The Supreme Court ruled that same-sex marriages should be recognized for federal purposes if the couple was married in a jurisdiction that recognizes same-sex marriages.

Defense of Marriage Act (DOMA) (Continued)

- The following jurisdictions recognize same-sex marriages:
 - California
 - Connecticut
 - Delaware
 - District of Columbia
 - Iowa
 - Maine
 - Maryland
 - Massachusetts
 - Minnesota
 - New Hampshire
 - New Jersey
 - New York
 - Rhode Island
 - Vermont
 - Washington

Defense of Marriage Act (DOMA) (Continued)

- The Supreme Court noted that more than 1,000 statutes and numerous regulations are affected by the decision.
- The Supreme Court ruling impacts the following and other laws :
 - Internal Revenue Code (IRC)
 - Consolidated Omnibus Budget Reconciliation Act (COBRA)
 - Employee Retirement Income Security Act (ERISA)
 - Family and Medical Leave Act (FMLA)

Defense of Marriage Act (DOMA) (Continued)

- Under the Supreme Court ruling, same-sex spouses are eligible for tax-free benefits paid for by their employers such as health, dental, and vision benefits, Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs).
- On August 29, 2013, the IRS released Revenue Ruling 2013-17 and updated its Frequently Asked Questions (FAQs), which went into effect on September 16, 2013, with the following:
 - Same-sex marriages will be recognized for federal purposes if the couple was married in a jurisdiction that recognizes same-sex marriages, even if the couple later moves to a jurisdiction that does not.
 - For federal tax purposes, registered civil unions and domestic partnerships are not included in the definition of marriage.
 - Impacted individuals may, but are not required to, file amended returns to open years, generally 2010 through 2012.

Defense of Marriage Act (DOMA) (Continued)

- The IRS will provide a special administrative procedure for employers to file refund claims of Social Security tax and Medicare tax or to make current adjustments.
- To learn more about the Supreme Court ruling on DOMA, refer to the following resources:
 - ADP’s Eye on Washington: Legislative Update “IRS Guidance on Defense of Marriage Act (DOMA)” at <http://www.adp.com/tools-and-resources/adp-research-institute/insights/insight-item-detail.aspx?id=6F5A1BAC-91FD-4BF1-AB9E-83E66012E29C>
 - Internal Revenue Bulletin: 2013-38, Revenue Ruling 2013-17 at http://www.irs.gov/irb/2013-38_IRB/ar07.html

Health FSA Contribution Limit

- Effective for plan years beginning in 2013, the maximum contribution to a health Flexible Spending Account (FSA) allowed under a cafeteria plan is limited to \$2,500.
- Starting with plan years beginning in 2014, the maximum contribution will be annually adjusted for inflation.
- The limit applies only to the following salary reduction contributions, not to certain employer non-elective contributions:
 - Health Savings Accounts (HSAs)
 - Health Reimbursement Arrangements (HRAs)
 - Salary reduction contributions to a Section 125 cafeteria plan that are used to pay for an employee's share of the health coverage premiums or the employee's share under a self-insured, employer-sponsored health plan

Transportation Benefits

- Effective with the Family and Business Tax Cut Certainty Act of 2012 (S.3521) and enacted on January 2, 2013, the income exclusion for qualified commuter highway vehicle and transit passes and qualified parking transportation benefits was extended only through December 31, 2013.
- For tax year 2013, the annual amount for each transportation benefit is \$245 per month.
- House Rule 2288, introduced in June 2013, would reduce both transportation benefits to \$220 per month but would increase the qualified bicycle exclusion to \$35 per month.
- Senate Bill 1116, introduced in June 2013, would equalize exclusion for qualified commuter highway vehicle and transit passes and qualified parking to \$245 for 2013 and would be followed by annual Cost of Living Adjustments (COLA).
- Both House Rule 2288 and Senate Bill 1116 are still pending as of the current date.

Federal Unemployment Trust Fund Loans

- The Federal Unemployment Account (FUA) provides loans to state unemployment programs to ensure a continued flow of benefits during times of economic downturn.
- Currently, 18 states and the U.S. Virgin Islands have approximately \$20,129,509,303.76 of loan balances in their state trust fund.
- Federal Unemployment Tax Act (FUTA) credit reduction determinations are made each November.

Federal Unemployment Trust Fund Loans (Continued)

- The FUTA credit reduction
 - The current FUTA rate is 6.0 percent on the first \$7,000 in wages.
 - Employers may be eligible for up to a 5.4 percent credit against their FUTA liability, reducing their FUTA rate down to 0.6 percent.
 - A state can have the 5.4 percent FUTA credit reduced if the U.S. Department of Labor designates it as a credit-reduction state because the state:
 - Has an outstanding Federal Title XII loan balance on November 10 of the second consecutive year
 - Has unpaid loan interest on September 30 of the current year

Federal Unemployment Trust Fund Loans (Continued)

- The FUTA credit reduction (Continued)
 - The reduction is 0.3 percent for the first year and an additional 0.3 percent each succeeding year until the loan is repaid.
 - Each 0.3 percent credit reduction costs an employer an additional \$21.00 per employee per year.
 - The credit reduction rates that are projected for 2013 by the U.S. Department of Labor are based on each state's federal Title XII loan balance on November 11, 2013.



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Pending and Proposed Changes

Federal Minimum Wage Increase

- The federal minimum wage was last increased on July 24, 2009, to the current hourly rate of \$7.25.
- House Rule 2010 and Senate Bill 460, both introduced in March 2013 and still pending, propose the following:
 - Increase the minimum wage to \$8.20, effective on the first day of the third month after enactment.
 - Increase the minimum wage to \$9.15 after one year.
 - Increase the minimum wage to \$10.10 after two years.
 - Make annual adjustments based on the Consumer Price Index (CPI) after three years.

President's Budget Proposal for Fiscal Year 2014

- Released proposal in April 2013
- The Buffett Rule
 - The Buffett Rule is the principle that everyone should pay their fair share in taxes and that the 98 percent of American families who make less than \$250,000 should not have tax increases.
 - The Buffett Rule would be effective for tax years beginning after December 31, 2013, and it would:
 - Implement a new minimum tax, the Fair Share Tax (FST), on high-income taxpayers, which would equal 30 percent of adjusted gross income minus any credits for charitable contributions
 - Phase in tax payers making between \$1,000,000 and \$2,000,000
 - Possibly impact employee-income-tax withholding for high-income earners

President's Budget Proposal for Fiscal Year 2014 (Continued)

- Federal Unemployment Tax Act (FUTA)
 - Permanent FUTA surtax
 - Would be effective for wages paid on or after January 1, 2014
 - Would reinstate the 0.2 percent surtax and make this surtax permanent
 - Short-term employer relief
 - Would be effective for tax years 2013 and 2014
 - Would suspend states' federal loan interest payments (assessments)
 - Would suspend states' FUTA credit reduction (lower tax rate)

President's Budget Proposal for Fiscal Year 2014 (Continued)

- Expansion of FUTA base
 - Would be effective for tax year 2016
 - Would increase the FUTA wage base to \$15,000 and be indexed for subsequent years
 - Would reduce the FUTA net tax from 0.8 percent (6.2 – 5.4) to 0.37 percent, which would offset the rise in the taxable wage base
 - Would require that states with wage bases below \$15,000 conform to the new FUTA base but maintain their ability to set tax rates

President's Budget Proposal for Fiscal Year 2014 (Continued)

- Independent contractor reporting and withholding
 - Would be effective for payments made to contractors after December 31, 2013
 - Would require contractors who receive payments of \$600 or more in a calendar year from a business to furnish their certified Tax Identification Number (TIN) on Form W-9
 - Would require businesses to:
 - Verify the contractor's TIN with the IRS
 - Withhold a flat-rate percentage of gross payments if the contractor fails to furnish an accurate TIN
 - Withhold a specific flat-rate percentage of gross payments at either 15, 25, 30, or 35 percent for contractors who receive payments of \$600 or more in a calendar year (if withholding is required by the contractor)

President's Budget Proposal for Fiscal Year 2014 (Continued)

- Reduction of threshold for filing Forms W-2 and 1099 electronically
 - Would be effective for taxable years ending after December 31, 2013
 - Would reduce Form W-2 threshold from 250 to 50 forms
 - Would reduce threshold for information returns (Forms 1099) from 250 to a currently unspecified number
- Quarterly filing of Form W-2
 - Effective date is pending
- Truncation of Social Security number on Form W-2
 - Effective upon enactment
 - Replacement of the first five digits of a taxpayer's Social Security number with an X or an asterisk
 - Permitted or required by the U.S. Department of the Treasury and the IRS
- Encouragement of states to enact policies to offer paid family leave
 - Potential employee and employer contributions



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Form Changes

2013 Form Changes

- Form 940
 - The following employer address and information was added to Form 940:
 - Foreign country name
 - Foreign province/country
 - Foreign postal code
- Form 941
 - The Social Security tax rate changed from 10.4 percent to 12.4 percent to reflect the December 31, 2012 expiration of the 2-percent reduction in the employee and self-employed Social Security tax rate.
 - Line 5d has been added.
 - Taxable Wages & Tips Subject to Additional Medicare Tax Withholding

2014 Form Draft Changes

- Form 941
 - The first quarter 2014 Form 941 draft has not yet been released, but the IRS is considering the following changes to the form's reporting of COBRA premium assistance due to the low number of remaining eligible employees:
 - Deletion of line 12a – COBRA premium assistance payments
 - Deletion of line 12b – Number of individuals provided COBRA premium assistance
 - COBRA information would be reported on Form 941-X.
- Form 1099-R
 - Box 7 has been added for distribution code K to report distributions of assets other than cash.



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State Topics

Multi-State Taxation of Income

- Currently, states have their own rules on when they will tax a nonresident's individual income for the periods of time the nonresident works in that jurisdiction and when withholding must begin.
- House Rule 1129, introduced in March 2013:
 - Would prohibit an employee's wages from being subject to income tax in any state other than the following:
 - The employee's resident state
 - The state in which the employee works for more than 30 days during a calendar year, at which time the employee becomes subject to that state's withholding
 - Would exclude professional athletes, professional entertainers, and certain public figures (persons of prominence who perform services for wages or other remuneration on a per-event basis)
 - Would become effective on January 1 of the second year that begins after the date of the bill's enactment
 - Is still pending

New Jersey SAFE Act

- The New Jersey Security and Financial Empowerment (SAFE) Act is a new leave-of-absence act for victims of violence and sexual assault.
- Effective on October 1, 2013, New Jersey employers are required to provide up to 20 days of unpaid leave during any 12-month period for an eligible employee who is the victim of domestic violence or sexual assault or whose child, parent, spouse, domestic partner, or civil union partner was the victim of such an act.
- Eligible employees seeking leave must have worked for the employer at least 12 months and at least 1,000 base hours within the 12-month period immediately preceding the leave.
- The 20 days of unpaid leave under the New Jersey SAFE Act must be taken within the 12-month period immediately following an instance of domestic violence or a sexually violent offense.
- The unpaid leave may be taken intermittently in intervals of no less than one day within one year of the incident.

New Jersey SAFE Act (Continued)

- The unpaid leave time allows the affected eligible individuals to:
 - Attend, participate in, or prepare for a criminal or civil court proceeding that relates to an incident of domestic or sexual violence
 - Obtain services from a victim services organization
 - Participate in safety planning for temporary or permanent relocation
 - Seek legal assistance to ensure health and safety of the employee or the employee's relatives
 - Seek medical attention for physical or psychological injuries
- Employees may elect to use, or employers may require the use of, accrued paid vacation leave, personal time, or sick leave, and have unpaid and paid leave run concurrently.
- If the leave of absence is covered under the New Jersey SAFE Act or the federal Family and Medical Leave Act (FMLA) of 1993, the leave shall count simultaneously against the employee's entitlement under each respective law.

California State Disability Insurance (SDI) Updates

- The state of California has released the 2014 State Disability Insurance (SDI) wage base, tax rate, and unemployment tax wage base.
 - The SDI wage base will be \$101,636 (a \$756 increase over the current wage base of \$100,880).
 - The maximum tax to be withheld for SDI will be \$1,096.36 (a \$7.56 increase over the current amount of \$1,088.80).
 - The SDI employer contribution rate will remain at 1.0 percent.
 - The taxable wage base for the purposes of Unemployment Insurance (UI) will remain at \$7,000.

State Unemployment Insurance Updates

- Iowa
 - Effective on September 20, 2013, all employers and third-party providers will be required to use the myIowaUI Web site to file quarterly contributions and wage reports and submit new employer registration electronically.
 - Paper applications and the paper form of the quarterly contribution report (Form 65-5300) will no longer be processed.
- Massachusetts
 - Mandated health coverage changes (H.3538)
 - Effective on July 1, 2013, the Fair Share law has been repealed.
 - Employers will no longer pay a \$295 penalty per employee per year for not providing full-time employees with healthcare coverage.
 - Employers will no longer be required to collect Health Insurance Responsibility or HIRD forms from employees declining employer-sponsored healthcare coverage.

State Unemployment Insurance Updates (Continued)

- Massachusetts (Continued)
 - Effective on January 1, 2014, a new Employer Medical Assistance Contribution will require employers with over five employees to pay 0.36 percent of wages paid.
 - Newly subject employers will pay 0.12 percent the first year and 0.24 percent the second year.
 - Reporting requirements are unknown at this time.
- New Jersey
 - Filing frequency change (A.3810)
 - The filing provisions are the same as S.2629.
 - The monthly reports will be due within 20 business days of the last day of the month.

State Unemployment Insurance Updates (Continued)

- North Carolina
 - Electronic filing threshold change
 - A mandatory jurisdiction has been established for Magnetic Media and Electronic filing or quarterly SUI Wage and Contribution reports.
 - Effective during the third quarter of 2013, the filing threshold was changed from 100 or more employees to 25 or more employees.

State Withholding Tax Updates

- Delaware
 - Effective on January 1, 2014, the income-tax-percentage rate will decrease from 6.75 percent to 6.6 percent on taxable income amounts of \$60,000 or more. Revised withholding tables have not yet been released.
- Mississippi
 - S.2899 delays the estimated withholding tax payment threshold increase.
 - Currently, employers with an average tax liability of \$20,000 per month during the preceding year must make an annual estimated tax payment by June 25.
 - The payment must be at least 75 percent of the employer's estimated June tax liability for the current or preceding year.
 - On June 25, 2014, the threshold will increase to \$50,000.

State Withholding Tax Updates (Continued)

- Ohio
 - Revised employer withholding tables have been released and are to be used starting on September 1, 2013.
 - The tables reflect a 9-percent reduction in the withholding rates to match the 9-percent decrease in individual income tax rates.

Other State Updates

- Hawaii
 - Wage Theft Prevention Act, effective on January 1, 2014
 - S.0332 was signed into law on April 30, 2013, which requires employers to include additional information on the employee's pay statement.
 - The three most significant pieces of information are:
 - The amount of regular hours worked
 - A list of allowances taken, such as a tip credit
 - An explanation of the rates of pay and what units the rates are based on
 - Employers must also retain all required payroll records at their work location for at least six years.

Other State Updates (Continued)

- Illinois
 - New-hire reporting
 - On July 23, 2013, the Governor signed H.3125, which eliminates projected monthly wages from the required information that employers must submit when they report new hires.
- New York
 - Metropolitan Commuter Transportation Mobility Tax (MCTMT)
 - On August 22, 2012, the lower court found that the enactment of the MCTMT was unconstitutional.
 - On June 26, 2013, the Appellate Division of the New York Supreme Court reversed the lower court's decision.
 - The enactment of the MCTMT was ruled constitutionally sound because it had a direct benefit for mass transit users and the regional and state economies, which addressed a substantial state concern.
 - Nassau County announced it would challenge the ruling, but no appeal has been filed yet.

Other State Updates (Continued)

- North Dakota
 - New-hire reporting
 - Effective on October 1, 2013, employers will be required to report employees who have been separated from employment for at least 60 consecutive days as new hires.
 - Effective on October 1, 2013, the date of hire has been defined as the date on which services for remunerations were first performed by the employee and is required to be included on the employer's New Hire report.