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Reporting Cost of Employer-Provided Health Coverage on Form W-2 Optional in 2011 for Many Employers



Starting in tax year 2011, the [Affordable Care Act](#) requires employers to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2.

Health Care Reform Checklist for 2011

The [Patient Protection and Affordable Care Act](#) (PPACA) contains comprehensive health insurance reforms that require compliance by employer-sponsored **group** health plans. Many of these reforms apply to plan years beginning on or after September 23, 2010. The following general checklist is designed to help employers review their plan's compliance with the major health care reform requirements implemented in 2010, as well as prepare for changes ahead in 2011.



Please note that this list is for general reference purposes only and is not all-inclusive. This list is also subject to change based on new government requirements or directives. Additionally, your group plan may be exempt from certain requirements described below. If you have any questions regarding your obligations with respect to health care reform, you should consult with a knowledgeable employment law attorney and your carrier for specific guidance.

1. Determine Grandfathered or Non-Grandfathered Status of Plan

Note: A grandfathered plan is one that was in effect on March 23, 2010. If a plan loses its grandfathered status, it may no longer be exempt from certain PPACA requirements.

- Evaluate whether any changes made to the group health plan with respect to benefits, costs, or other changes result in [loss of grandfathered status](#).
- To maintain grandfathered status, a plan must include a statement, whenever a summary of benefits under the plan is provided to participants and beneficiaries, that the plan believes it is a grandfathered health plan according to the Affordable Care Act and must provide contact information for questions and complaints (model notice [available here](#)).

2. Review Plan Documents for Required Changes

Note: Unless otherwise noted, plan documents should be amended to

However, to provide employers the time they need to make changes to their payroll systems or procedures in preparation for compliance with this requirement, the IRS has [deferred the reporting requirement for 2011](#), making that reporting by employers optional in 2011.

The [2011 Form W-2](#) includes the codes that employers may use to report the cost of coverage under an employer-sponsored group health plan. For federal tax purposes, the amount reported does not affect tax liability, as the value of the employer contribution to health coverage continues to be excludible from an employee's income, and it is not taxable. According to the IRS, this reporting is for informational purposes only, to show employees the value of their health care benefits so they can be more informed consumers.

[Notice 2010-69](#) further explains the interim relief with respect to Form W-2.

PLEASE NOTE: Employers in certain states may be required to report the cost of employer-provided health insurance coverage for adult children on the employee's Form W-2. This is because the income tax laws of several states have not been changed to conform with the federal rules and thus, expanded coverage provided for adult children under the Affordable Care Act may be treated as taxable income to the employee for state income tax purposes. Employers should contact their [state revenue](#)

reflect changes effective as of the first day of the first plan year beginning on or after September 23, 2010. Please consult with your carrier for additional details or if you have questions regarding these amendments.

- If the plan offers dependent coverage, the [coverage is available until a child reaches the age of 26](#). (Prior to 2014, grandfathered plans do not have to comply with this requirement for adult children who have another offer of employer-based coverage.)
- [Lifetime dollar limits](#) on "essential health benefits" have been eliminated.
- [Annual limits](#) on "essential health benefits" are being phased out according to the limits set by law (no lower than \$750,000 for plans issued or renewed beginning Sept. 23, 2010). Some plans may be eligible for a [waiver from the rules](#) concerning annual dollar limits.
- Any [pre-existing condition exclusions for children under age 19](#) have been eliminated.
- Effective Jan. 1, 2011, reimbursements for over-the-counter drugs from HSAs, Archer MSAs, FSAs or HRAs qualify [only if the medication is purchased with a prescription \(except insulin\)](#). An increased penalty of 20% applies for nonqualified distributions from a HSA or Archer MSA.
- Except for grandfathered plans, [coverage of recommended preventive services](#) is provided with no cost-sharing requirements, such as co-payments or deductibles.
- Except for grandfathered plans, [patient protections](#) related to choosing a primary care provider, access to OB/GYN care, and coverage of emergency services are included as appropriate.
- Except for grandfathered plans, an effective [internal and external appeals process](#) for coverage determinations and claims is in place.

3. Implement Special Enrollment Opportunities

Note: The following special enrollment opportunities must be provided, and coverage must take effect, not later than the first day of the first plan year beginning on or after September 23, 2010.

- 30-day [special enrollment opportunity](#) for individuals whose coverage ended, or who were denied coverage (or were not eligible for coverage), because the availability of dependent coverage of children ended before attainment of age 26.
- 30-day [special enrollment opportunity for individuals](#) whose coverage ended by reason of reaching a lifetime limit under the plan.

4. Provide Participant Notices

Note: Unless otherwise noted, the following notices should be provided to plan participants no later than the first day of the first plan year beginning on or after September 23, 2010.

[department](#) for reporting requirements related to coverage for adult children.

To read more about the Affordable Care Act, please login to the [e3 Compliance Navigator](#) and visit the section on Health Care Reform.

IRS Announces 2011 Standard Mileage Rates



The Internal Revenue Service has announced the [2011 optional standard mileage rates](#) used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2011, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) are:

- 51 cents per mile for business miles driven
- 19 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after

- Opportunity to enroll in connection with extension of dependent coverage to age 26 (model notice [available here](#)).
- Lifetime limit no longer applies and opportunity to enroll (model notice [available here](#)).
- Notice of patient protections, if applicable (model notice [available here](#)). Distribute whenever a participant is provided with a summary plan description or other similar description of benefits under the plan, and no later than the first day of the plan year starting on or after Sept. 23, 2010.
- Notice of available [internal and external appeals processes](#) and the availability of any consumer assistance with respect to such processes, if applicable.
- It is also prudent to provide participants notice of the [new restrictions on reimbursement of costs for over-the-counter drugs](#) in relation to HSAs, Archer MSAs, FSAs and HRAs, prior to Jan. 1, 2011.

5. Other Considerations

- Review and amend Section 125 (cafeteria plan) documents as necessary to reflect any changes. If eligible, consider whether your company could benefit from establishing a [simple cafeteria plan](#).
- Determine whether your company qualifies for the [small business health care tax credit](#).
- Maintain compliance with the [break time requirement for nursing mothers](#), if applicable.
- Consider necessary changes to your payroll system in preparation for compliance with the [requirement to report employer-provided health coverage](#) on Form W-2. Reporting by employers is optional in 2011.*
- Be prepared for compliance requirements to change. Stay up-to-date on the latest information regarding health care reform by visiting [HealthCare.gov](#).

**Please note that employers in some states may be required to report the cost of employer-provided health benefit coverage for adult children on the employee's Form W-2 in 2011 for state income tax purposes. Employers should contact their [state revenue department](#) for reporting requirements related to coverage for adult children.*

IRS Extends Deadline to File 2010 Tax Returns

The Internal Revenue Service (IRS) has [announced](#) that taxpayers have until April 18 to file their tax returns. The IRS reminded taxpayers impacted by recent tax law changes that using e-file is the best way to ensure accurate tax returns and get faster refunds.



claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously. The IRS is requesting public comments on whether taxpayers should be allowed to use the business standard mileage rate in this circumstance.

Other Changes Regarding Standard Mileage Rates in 2011

Beginning in 2011, a taxpayer may use the business standard mileage rate for vehicles used for hire, such as taxicabs.

Also beginning in 2011, the standard mileage rates are announced in a separate notice, which also provides the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate and the maximum standard automobile cost for automobiles under a fixed and variable rate (FAVR) allowance. The IRS plans to discontinue publishing the standard mileage rate revenue procedure annually but will publish modifications as required.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

For Additional Information [Revenue Procedure 2010-51](#) and [Notice 2010-88](#) contain additional details regarding the standard mileage rates. For more information on transportation and other

Taxpayers will have until Monday, April 18 to file their 2010 tax returns and pay any tax due because Emancipation Day, a holiday observed in the District of Columbia, falls this year on Friday, April 15. By law, District of Columbia holidays impact tax deadlines in the same way that federal holidays do; therefore, all taxpayers will have three extra days to file this year. Taxpayers requesting an extension will have until Oct. 17 to file their 2010 tax returns.

Who Must Wait to File

For most taxpayers, the 2011 tax filing season starts on schedule. However, tax law changes enacted by Congress and signed by President Obama in December mean some people need to wait until mid-February to file their tax returns in order to give the IRS time to reprogram its processing systems.

Some taxpayers - including those who itemize deductions on Form 1040 [Schedule A](#) - will need to wait to file. This includes taxpayers impacted by any of three tax provisions that expired at the end of 2009 and were renewed by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 enacted Dec. 17. Those who need to wait to file include:

- Taxpayers Claiming Itemized Deductions on Schedule A
- Taxpayers Claiming the Higher Education Tuition and Fees Deduction
- Taxpayers Claiming the Educator Expense Deduction

In addition to extending those tax deductions for 2010, the [Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act](#) also extended those deductions for 2011 and a number of other tax deductions and credits for 2011 and 2012. The Act also provides various job creation and investment incentives including 100 percent expensing and a two-percent payroll tax reduction for 2011. Those changes have no effect on the 2011 filing season.

Additional Information

The IRS will start processing both paper and e-filed returns claiming itemized deductions on Schedule A, the higher education tuition and fees deduction on Form 8917 and the educator expenses deduction, [beginning on Feb. 14](#). People using e-file for these delayed forms can get a head start because many major software providers have announced they will accept these impacted returns immediately. The software providers will hold onto the returns and then electronically submit them after the IRS systems open on Feb. 14 for the delayed forms.

Most other returns, including those claiming the Earned Income Tax Credit (EITC), education tax credits, child tax credit and other popular tax breaks, can be filed as normal, immediately.

Taxpayers with questions should check the IRS website at www.irs.gov, call the [toll-free number](#), or visit a [taxpayer assistance center](#).

fringe benefits, please login to the [e3 Compliance Navigator](#) and visit the section on Fringe Benefits.

Handbook Helps Employers Understand Form I-9 Process for Employment Eligibility Verification



United States Citizenship and Immigration Services ([USCIS](#)) has released [The Handbook for Employers](#) to help employers better understand the Form I-9 process.

By law, U.S. employers must verify the identity and employment authorization for every worker they hire after November 6, 1986, regardless of the employee's immigration status. To comply with the law, employers must complete [Form I-9, Employment Eligibility Verification](#). [The Handbook for Employers](#) is a guide for employers in the Form I-9 process. The *Handbook*:

- Has been revised and updated with new information about applicable regulations, including new regulations about electronic storage and retention of Forms I-9;
- Clarifies how to process an employee with a complicated immigration status; and
- Addresses public comments and frequently asked

Evaluating Your Company's Employee Handbook

A well-drafted employee handbook is a valuable instrument for your company to provide employees with important information regarding general work rules, disciplinary matters, benefits and other issues that may arise in connection with their employment with the company.



Regardless of size, all employers should consider creating an employee handbook to make their company's policies accessible to all employees. If your company already has an employee handbook, the start of the new year is a great time to review its contents and update any information that has changed. Pay particular attention to policies that are necessary to comply with federal and state laws, which may have changed since your handbook was last revised.

The following guidelines cover the major components of a typical employee handbook and are designed to help you organize and review your content. If the company has both exempt and nonexempt employees, you may wish to consider developing multiple handbooks. Be sure to have employment counsel review the handbook before you publish and distribute it.

Welcome and Introduction to the Company

In many cases, the handbook provides the first official opportunity to welcome new employees and set the tone for their experience. A sincere note from your President or CEO should be the first thing the employee reads. The welcome letter may be followed by a mission statement that sets out the company's view of itself and its place in the world. These two sections of the handbook should provide employees with a realistic understanding of the company's culture and a feel for what it is like to work there.

Getting Started

This section features the essentials. It should cover work hours, dress codes, information on any introductory period, and similar information that an employee should know the first day on the job.

Policies and Practices

Next, the employee should be informed of the 'rules of the road.' This section addresses guidelines on use of company computers, fax and photocopy machines, smoking policies, drug free workplace provisions, and similar rules that govern the employer's workplace. Reviewing your handbook on a regular basis also provides an excellent opportunity to consider other policies, such as privacy and rehire policies, that the company may wish to implement.

Benefits

questions.

Some of the many improvements, new sections, and tools included in *The Handbook for Employers* are:

- New visual aids for completing Form I-9
- Examples of new relevant USCIS documents
- Expanded guidance on lawful permanent residents, refugees and asylees, individuals in Temporary Protected Status (TPS), and exchange visitors and foreign students
- Expanded guidance on the processing of employees in or porting to H1-B status and H2-A status
- Expanded guidance on extensions of stay for employees with temporary employment authorization

For more information regarding federal labor laws that may apply to your company, please login to the [e3 Compliance Navigator](#) and visit the Human Resources section entitled "Before You Begin, Compliance by Company Size."

In the benefits section, you can briefly describe employee benefits such as health insurance, 401(k) plans, and the like. You may wish to set out the details of the plans in an appendix to the handbook and/or a separate booklet. Separate legal documents (such as a summary plan description) may also be required.

Employee Leave

Here you can discuss vacation policies, sick leave, and other paid and unpaid leave. You should be sure to address FMLA leave (and any local variations), military leave, jury duty policies, and all other practices related to leave.

Equal Employment Opportunity

This section sets out the company's sexual harassment policy, any affirmative action policies, and a statement of compliance with all employment discrimination and related legal requirements. If you are subject to state or federal prohibitions on employment discrimination, this section is essential to help protect you in the event of sexual or other harassment in your workplace by fellow employees and persons not employed by the company.

Discipline and Discharge

Here you may describe a progressive disciplinary policy and other standards related to discipline and discharge.

Essential Provisions

If your employees are to be employed 'at-will,' you should clearly state that fact and include a conspicuous disclaimer in the front of the book that specifically states that the handbook is not an employment contract and should not be construed as a contract.

You will also want to include in the handbook a written acknowledgement by the employee that he or she has received and read the handbook, to be signed and placed in the employee's personnel file.

Sample Employee Handbook

Please login to the [e3 Compliance Navigator](#) for access to a Sample Employee Handbook, available for download, that may be used for general reference purposes only in connection with developing your company handbook. Please note that the policies contained in the Sample Employee Handbook are samples only and should not be used without modification and consultation with local counsel.

Federal, state or local laws or individual circumstances may require amendment of individual policies and/or the entire Sample Employee Handbook to meet specific conditions.

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