

# Reporter

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**Spring 2013**

**A Newsletter for Employers**

## New Health FSA Limit – Employers and Employees Should Plan Now

**E**mployee salary reduction contributions to health Flexible Spending Arrangements (health FSAs) are limited to \$2,500 per year for plan years beginning after 2012.

The Affordable Care Act added Code section 125(i), which established the \$2,500 limitation. The \$2,500 limit will be indexed for inflation for plan years beginning after 2013. As before, an employer may establish its own plan limitation, but, under this provision, an employer's plan limit may not exceed the statutory limit.

The new limit does not affect the limitation on dependent care FSAs, health savings accounts, Archer Medical Savings Accounts, or an employee's contribution for his or her share of health coverage premiums.

### What is a health FSA?

A health FSA allows employees to pay for certain health care expenses on a tax-preferred basis. It is a benefit an employer may offer as part of a cafeteria plan under Code section 125, and it is usually funded through an employee's salary reduction contributions. These contributions reduce the amount of wages subject to income and employment taxes. Employees can use the FSA funds to pay for certain health care expenses as the employee incurs the expenses. Additional information about FSAs is in [Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans](#) (see the section entitled "Flexible Spending Arrangements (FSAs)").

### Implementing the new limit

The limit on employee salary reduction contributions to a health FSA applies on an employee-by-employee basis. Therefore, \$2,500 is the maximum that an employee may contribute, regardless of the number of individuals, such as spouse or dependents, whose medical expenses may be reimbursed under the plan. If two people are married, and each has the opportunity to participate in a health FSA, whether through the same employer or through different employers, each may contribute up to \$2,500.

In the case of a plan providing a grace period (which may be up to two months and 15 days), unused salary reduction contributions to the health FSA that are carried over into the grace period for that plan year will not count against the \$2,500 limit for the subsequent plan year.

Employers may amend their plans to reflect the \$2,500 limit at any time through the end of calendar year 2014, provided that the health FSA does not exceed the limit in operations for plan years beginning after December 31, 2012. If an employer's plan already has a limit in place before the plan year beginning in 2013 that does not exceed \$2,500, generally the employer will not need to amend the plan to reflect the new \$2,500 limit.

For more information, see [Notice 2012-40](#). The Treasury Department and IRS intend to amend the regulations under section 125, but, until then, taxpayers may rely on the guidance in the Notice. See also [www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions](http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions). 

## Receive Child Support Withholding Orders Electronically!

Employers who implemented the federal Office of Child Support Enforcement's electronic Income Withholding Order project are not only getting the child support Income Withholding Orders electronically (No Paper!) but they are also saving time, money, and resources. Over 1,200 Federal Employer Identification Number's were added to the project in 2012.

The e-IWO project enables:

- states to transmit income withholding orders electronically to employers; and
- employers to electronically notify states of the IWO's status, including terminations and lump sum payments.

There are two ways employers can implement e-IWO:

- "No Programming Option"—Requires minimal IT resources and the employers can be live on e-IWO in two to four weeks. Employers then receive an image ready Portable Document File of every order along with a prefilled acknowledgement. Employers choosing this option will always receive the incoming IWOs as image ready .PDFs.
- "System to System"—Requires employers to receive and process the e-IWO documents electronically and generate acknowledgements using a flat file or XML schema. Because the e-IWO documents arrive in a flat file or XML schema employers can automatically upload the withholding order information to their payroll

system. This option, because of the programming involved, usually requires three to five months to complete. Employers implementing the system to system also have the option to receive the incoming orders as image ready .PDFs.

Twenty-seven states, representing 75 percent of the child support caseload and 3,600 FEINs, are using the e-IWO system as of Feb. 1, 2013. There is NO cost to employers for participating in the e-IWO project!

For more information, visit the [e-IWO Web page](#) or contact William Stuart at [william.stuart@acf.hhs.gov](mailto:william.stuart@acf.hhs.gov) or Sherri Grigsby at [sherri.grigsby@acf.hhs.gov](mailto:sherri.grigsby@acf.hhs.gov) DHHS

## The Outreach Corner – a FREE resource for communicators

**With nearly 55,000 subscribers, the Outreach Corner on IRS.gov offers a selection of materials with tax information for your employees. Each month, this page is refreshed with new news articles designed to educate people about taxes, including available tax credits, types of contributions for retirement planning, convenient online tax tools and much more. The IRS created the [Outreach Corner on IRS.gov](#) to make it easier for organizations, especially those with limited resources, to help the people they serve.**

**The Outreach Corner includes FREE timely material that can be used for websites, newsletters, social media platforms and other communication vehicles. It includes ready-to-use articles written in plain language, IRS audio and video files, widgets, tweets and more. This resource could save a step for employers who are looking for tax information to share quickly with their employees on most tax issues.**

**The Outreach Corner updates at least once a month. Anyone interested in reaching others with current tax information and products is encouraged to subscribe and take advantage of the available material. Please share this [subscription link](#) and promote the Outreach Corner as a valuable resource for tax information.**

**For questions, comments or to learn more about the Outreach Corner send an email to [partner@irs.gov](mailto:partner@irs.gov).**

IRS

## Are You Hiring?

*Employers, please don't forget to report your new hires!*

The federally mandated New Hire Reporting program is vital to the success of the child support enforcement program. Employers make a huge difference in ensuring that children receive the financial support they deserve by submitting new hire data to state agencies shortly after the date of hire.

Recent [legislation](#) requires employers to report the date that an employee first performs services for pay (date of hire). Additionally, employers must report [re-hires](#), an individual who was previously employed by the employer but has been separated from such prior employment for at least 60 consecutive days.

This information is stored on the State Directory of New Hires and then forwarded to the National Directory of New Hires. It is matched daily against child support cases to locate parents, establish paternity, establish or modify child support orders, enforce support orders, and obtain health insurance coverage for children.

States also use the new hire information to reduce overpayments in areas of unemployment and disability insurance and workers' compensation benefits. Many states have developed ways to make it easier for employers to report their new hire data, which include internet, phone, and fax. In addition, multistate employers may elect to submit all their new hire reports to one state. If chosen, they must notify the Secretary of the Department of Health and Human Services, Office of Child Support Enforcement, in

writing to identify the state where they will report new hires. Notifications may be submitted [online](#), fax or mail to:

U.S. Department of Health & Human Services  
Office of Child Support Enforcement  
Multistate Employer Registration  
Box 509  
Randallstown, MD 21133  
410-277-9479 (for questions)  
410-277-9325 (fax)

For more information about New Hire Reporting, including links to each state's reporting requirements, visit the [Federal Office of Child Support Enforcement](#) Web page.

DHHS

## 2012 Reporting of 2010 Roth Rollovers and Conversions

In 2010, did you:

- convert (transfer) amounts from a non-Roth IRA to a Roth IRA,
- roll over [eligible distributions](#) from a retirement plan (other than an IRA-based plan) to a Roth IRA, or
- do an [in-plan Roth rollover](#) (after September 27, 2010)?

If yes, you were required to report half of the taxable amount of your 2010 Roth rollovers and conversions on your 2011 tax return and now must report the remaining half on your 2012 return, unless you:

- elected to include the entire taxable amount of your rollovers or conversions in your 2010 income by filing a [2010 Form 8606, Nondeductible IRAs \(instructions\)](#) and completing Part II, Part III or both, as applicable, and checking the box on line 19, the box on line 24 or both;
- [recharacterized](#) your 2010 Roth rollover or conversion (in-plan Roth rollovers can't be recharacterized); or
- received a distribution in 2010 or 2011 of any of the taxable amount of your rollovers or conversions (in which case, you may have to report an amount other than half on your 2012 tax return).

### No Distributions in 2010 or 2011

If you didn't receive a distribution in 2010 or 2011 of any amount of your 2010 **conversion** to a Roth IRA, you must report the amount from line 20b of your 2010 Form 8606 on line:

- 15b of your 2012 Form 1040, *U.S. Individual Income Tax Return*;
- 11b of your 2012 Form 1040A, *U.S. Individual Income Tax Return*; or
- 16b of your 2012 Form 1040NR, *U.S. Nonresident Alien Income Tax Return*.

If you didn't receive a distribution in 2010 or 2011 of any amount of your 2010 **rollover** to a Roth IRA or 2010 in-plan Roth rollover, you must report the amount from line 25b of your 2010 Form 8606 on line:

- 16b of your 2012 Form 1040;
- 12b of your 2012 Form 1040A; or
- 17b of your 2012 Form 1040NR.

### 2010 distributions

If you received a distribution in 2010 of any of your 2010 rolled over or converted amounts, on your 2010 tax return:

- you would have reported the amount of distributions; and
- you may have included the remaining non-distributed amount of your 2010 rollover and conversion in your 2010 gross income if the remaining amount was **less than half** of your total 2010 rolled over and converted amounts.

If, after your 2010 distribution, the remaining non-distributed amount was **not more than half** of your total 2010 rolled over and converted amounts, you:

- would have reported half of the non-distributed amount on your 2011 tax return; and
- must now report the remaining taxable amount of your 2010:
  - o conversions to a Roth IRA on line 15b of your 2012 Form 1040 (line 11b of Form 1040A or line 16b of Form 1040NR), and
  - o rollovers to a Roth IRA and in-plan Roth rollovers on line 16b of your 2012 Form 1040 (line 12b of Form 1040A or line 17b of Form 1040NR).

You can use the following worksheets to calculate the amount to report on your 2012 tax return if you had 2010 distributions but no 2011 distributions for:

- Conversions, the 2012 Taxable Amount Due to a 2010 Conversion to a Roth IRA - Worksheet in

chapter 2 of the 2012 Publication 590 (to be released soon).

- Rollovers, the 2012 Taxable Amount Due to a 2010 Roth IRA Rollover - Worksheet under [Rollovers in Publication 575](#).
- In-plan Roth rollovers, the 2012 Taxable Amount Due to a 2010 In-Plan Roth Rollover - Worksheet under Rollovers in Publication 575.

### 2011 distributions

If you received a 2011 distribution of any amount of your 2010 Roth rollovers and conversions, you may have included in your 2011 gross income all or some of the taxable amount that you would have otherwise included in your 2012 income. To determine the amount you had to report in 2011, you would have completed the [2011 Form 8606 \(instructions\)](#):

- Part III, line 36, shows the amount you should have reported on your 2011 tax return for distributions from a Roth IRA; and
- Part IV, line 46, shows the amount you should have reported on your 2011 tax return for distributions from a designated Roth account.

You would now determine the remaining taxable amount to report on your 2012 tax return by referring to your 2011 Form 8606:

- Part III, line 38, for 2011 Roth IRA distributions; and
- Part IV, line 48, for 2011 designated Roth account distributions.

You would report the remaining taxable amount of your 2010:

- conversions to a Roth IRA on line 15b of your 2012 Form 1040 (line 11b of Form 1040A or line 16b of Form 1040NR); and
- rollovers to a Roth IRA and in-plan Roth rollovers on line 16b of your 2012 Form 1040 (line 12b of Form 1040A or line 17b of Form 1040NR).

*continued on page 4*

## Form 8955-SSA...

Does your retirement plan have participants who have separated from service and have deferred vested benefits? List them on Form 8955-SSA ([Resources](#)).



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1100 Commerce Street  
Dallas, TX 75242-1027

**e-mail:** [SSA.IRS.REPORTER@irs.gov](mailto:SSA.IRS.REPORTER@irs.gov)

## 2012 distributions

Any distributions you received in 2012 from your Roth IRA or designated Roth account don't affect the amount of your 2010 Roth rollovers and conversions that you must report in 2012. To determine the amount and how to report the amount of your 2010 Roth rollovers and conversions on your 2012 return, follow the instructions above depending on whether you:

- didn't receive any 2010 or 2011 distributions;
- received a 2010 distribution; and
- received a 2011 distribution.

If you only received qualified distributions (other than a qualified first-time home buyer distribution from a Roth IRA) in 2012 from your Roth IRA or

designated Roth account, you don't have to report these distributions (because they aren't taxable). However, you must still report the remaining taxable amount of your 2010 Roth rollovers and conversions on your 2012 return.

If you received a 2012:

- **Nonqualified distribution from a Roth IRA** (or a qualified first-time home buyer distribution), complete the *2012 Form 8606* and follow the *instructions* to add the taxable portion of your distribution to the remaining taxable amount of your 2010 conversion or rollovers to a Roth IRA and report the total on the appropriate lines of your 2012 income tax return.

- **Nonqualified distribution from a designated Roth account**, add the taxable portion of your distribution to the remaining taxable amount of your 2010 in-plan Roth rollover and report the total amount on line 16b of your 2012 Form 1040 (line 12b of Form 1040A or line 17b of Form 1040NR).

## Additional Resources

[2011 reporting of 2010 Roth rollovers and conversions Topic 413](#) - Rollovers from Retirement Plans  
[Notice 2009-75](#), Rollovers from Employer Plans to Roth IRAs  
[Notice 2010-84](#), Guidance on In-Plan Roth Rollovers

IRS

# Spring Cleaning of Your Payroll Records

After finishing your year-end payroll processes, it is a great time to start thinking about cleaning up your old files. Which records can you destroy, and which records must you retain? The Internal Revenue Code requires all employers that withhold and pay federal income, social security, and Medicare taxes to maintain certain records for each employee. Failure to meet these requirements can result in sizable penalties and large settlement awards if you are unable to provide the required information when requested by IRS or in an employment-related lawsuit.

## Income, Social Security, and Medicare Taxes

Employers must keep income, social security, and Medicare tax records for at least four years after the due date of the employee's personal income tax return (generally, April 15) for the year in which the payment was made: For record keeping purpose, below is a checklist you might find helpful.

- The Employer Identification Number (EIN).
- Employee name, address, occupation, and social security number.
- The total amount and date of each payment of compensation and any amount withheld for taxes or otherwise. This should include reported tips and the fair market value of non-cash payments.
- Amount of compensation subject to withholding for federal income, social security, and Medicare taxes, and the corresponding amount withheld for each tax (also the date withheld if withholding occurred on a different day than payment).
- The pay period covered by each payment of compensation.
- If applicable, the reason(s) why the total compensation and the taxable amount for each tax rate are different.

- The Employee's Form W-4, *Employee's Withholding Allowance Certificate*.
- Each employee's beginning and ending dates of employment.
- Any statements provided by the employee reporting tips received.
- Information regarding wage continuation payments made to the employee by an employer or third party under an accident or health plan. This should include the beginning and ending dates of the period of absence from work and the amount and weekly rate of each payment (including payments made by third parties). You also need to keep copies of the employee's Form W-4S, *Request for Federal Income Tax Withholding from Sick Pay*.
- Fringe benefits provided to the employee and any required substantiation.
- Employee requests to use the cumulative method of wage withholding.
- Adjustments or settlements of taxes.
- Copies of returns filed (on paper or electronically), including Forms 941 (with Schedule B, D, and/or R, as applicable), 943, 944, 945, 941-X, W-3, Copy A of Form W-2, and any Forms W-2 sent to employees but returned as undeliverable. If you can electronically reproduce the undeliverable Forms W-2, you may destroy the originals.
- Amounts and dates of tax deposits.

If an employer files a claim for refund, credit, or abatement of withheld income and employment taxes, records related to the claim must be retained for at least four years after the filing date of the claim. Employers must also keep records substantiating any information returns and employer statements to employees regarding tip allocations for at

least three years after the due date of the return or statement to which they relate. Employers with a health insurance, cafeteria, educational assistance, adoption assistance, or dependent care assistance plan providing benefits that are exclude from income must also keep whatever records are needed to determine whether the plan meets the requirements for excluding the benefit amounts from income.

## Unemployment Tax

Employers subject to the Federal Unemployment Tax Act (FUTA) must also keep records to substantiate the following for at least four years after the due date of Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, or the date the required FUTA tax was paid, whichever is later:

- The total amount of employee compensation paid during the calendar year.
- The amount of compensation subject to FUTA tax.
- State unemployment contributions made, with separate totals for amounts paid by the employer and amounts withheld from employees' wages. Currently, Alaska, New Jersey, and Pennsylvania require employee contributions.
- All information shown on Form 940 (with Schedule A and/or R as applicable).
- If applicable, the reason why total compensation and the taxable amounts are different.

## Department of Labor, State Requirements

There are also record retention requirements set by the [Department of Labor](#), as well as wage-hour and unemployment insurance agencies at the state level. You can read the DOL's rules by visiting their site. Links to state agencies can be found by visiting the [APA](#) website. **APA**

## IRS Wants Your Help to Reduce Taxpayer Burden

**Did you know IRS would like your ideas on how to reduce taxpayer burden? Perhaps you have thoughts on how to simplify reporting requirements, streamline IRS procedures or shorten forms – IRS wants to hear them! Use [Form 13285A, Reducing Tax Burden on America's Taxpayers](#) for ideas that identify meaningful taxpayer burden reduction opportunities affecting a significant number of taxpayers. More information can be found on the [Taxpayer Burden Reduction website](#) on IRS.gov.**



## Stay in Compliance with APA's Payroll Tax Forum

Payroll is one of the most regulated aspects of any business. The cost of noncompliance is steep. By attending an American Payroll Association (APA) Payroll Tax Forum, a one-day course offered in 18 cities nationwide, June 11 – 21, 2013, you can avoid penalties by learning about the latest payroll-related changes from Congress and federal agencies such as the IRS, SSA, DOL, and the Department of Homeland Security.

Topics include the effect of the American Taxpayer Relief Act on payroll processing, the 2013 increase in the Medicare withholding tax rate for employees paid more than \$200,000, and understanding how the SUTA trust fund balances impact FUTA and SUTA rates.

The class also includes an explanation of the taxation and reporting of some of the most common benefits; review of the annually adjusted wage bases and benefit limits; and discussion of revisions to IRS forms and publications. Most of the one-day classes also include presentations by IRS and/or SSA representatives. Payroll directors and managers, tax and compliance officers, controllers, CFOs, treasurers, and anyone else involved in your organization's payroll should not miss this opportunity. For more information, visit the APA [website](#). 



## DHS NEWS

### E-Verify Updates

In Fiscal Year 2012, [E-Verify](#) enrollment increased by more than 111,000 new employers. There are now nearly half a million employers enrolled to use E-Verify at over 1.2 million worksites.

### New Avenue to Enrollment

The new [E-Verify enrollment Web page](#) links employers to resources that answer questions and help employers prepare to enroll. The [How to Enroll in E-Verify](#) video is an example of the many helpful resources. Whether you are ready to enroll in E-Verify today, or not, you will find useful information.

### E-Verify Online Employers Search Tool

In December 2012, U.S. Citizenship and Immigration Services launched a new searchable database of employers enrolled to use E-Verify. The [E-Verify Employers Search Tool](#), replaces the lists of E-Verify employers and federal contractors that previously appeared on the E-Verify website. The database allows you to filter, sort, and export results.

### Updated E-Verify Questions and Answers

The updated and redesigned [E-Verify Questions and Answers](#) section has easy-to-find answers to common and complex questions from users and non-users.

### Free Webinars

Visit the E-Verify website and click on [Take a Free Webinar](#) to learn more about E-Verify, [Form I-9](#), [Self-Check](#) and [Employee Rights](#). DHS experts deliver more than 25 webinars on these important topics each month.

### E-Verify Logo and I E-Verify Seal

Let the public know you use E-Verify! E-Verify participating employers, federal and state agencies, and other eligible associations are encouraged to display the official E-Verify Logo and Seal. Simply fill out and return the [E-Verify Trademark Licensing Agreement](#) and/or the [Terms of Use for the I E-Verify™ Seal Agreement](#) today!

### Subscribe to the E-Verify Connection e-Newsletter

The best way to stay up to date with the latest [E-Verify](#), [Form I-9](#), and [Self Check](#) news is to [subscribe](#) to the newsletter. Each issue of E-Verify Connection will keep you informed of the latest information related to employment eligibility verification. You can also find [past issues](#).

Visit [www.dhs.gov/e-verify](http://www.dhs.gov/e-verify) to learn more about E-Verify. For Form I-9 information, visit I-9 Central. 

## Excess Contributions and Required Minimum Distributions for IRAs may be Subject to Excise Taxes

The IRS is expanding education and outreach efforts to reduce non-compliance with IRA excess contributions and required minimum distributions. If you are an individual with an IRA or more than one IRA be aware of the rules that apply. You could be subject to excise taxes if you make any excess contributions to your IRA and you are not taking your required minimum distributions.

For 2013, if you are younger than age 70 1/2 you can contribute the smaller of up to \$5,500 (\$6,500 between age 50 and 70 1/2) or your taxable compen-

sation for the year to a traditional or Roth IRA. Any amount contributed for the year that exceeds the limit, or is contributed by an individual age 70 1/2 or older is considered an excess contribution. There is a 6 percent excise tax on excess contributions.

When an individual reaches 70 1/2, the individual can no longer contribute to a traditional IRA and must begin taking required yearly minimum distributions. Not taking the required minimum distribution could result in a 50 percent excise tax.

Your IRA Custodians report IRA contributions to the IRS using Form 5498 IRA Contribution Information and they will send you a copy. If you have more than one IRA, you should receive a separate Form 5498 that is filed for each IRA you hold. Distributions from IRA accounts are reported by custodians on Form 1099-R.

There are several resources about excess contributions and required minimum distributions on IRS.gov.

APA

### Traditional and Roth IRAs

Traditional and Roth IRAs allow you to save money for retirement. This chart highlights some of their similarities and differences.

Features	Traditional IRA	Roth IRA
Who can contribute?	You can contribute if you (or your spouse if filing jointly) have <a href="#">taxable compensation</a> but not after you are age 70½ or older.	You can contribute at any age if you (or your spouse if filing jointly) have <a href="#">taxable compensation</a> and your modified adjusted gross income is below certain amounts (see <a href="#">2012</a> and <a href="#">2013</a> limits).
Are my contributions deductible?	You can deduct your contributions if you <a href="#">qualify</a> .	Your contributions aren't deductible.
How much can I contribute?	The most you can contribute to all of your traditional and Roth IRAs is the smaller of: for 2012, \$5,000, or \$6,000 if you're age 50 or older by the end of the year (\$5,500 or \$6,500 for 2013); or your taxable compensation for the year. Your tax return filing deadline (not including extensions). For example, you have until April 15, 2013, to make your 2012 contribution. You can withdraw money anytime.	
What is the deadline to make contributions?		
When can I withdraw money?		
Do I have to take required minimum distributions?	You must start taking distributions by April 1 following the year in which you turn age 70½ and by December 31 of later years.	Not required if you are the original owner.
Are my withdrawals and distributions taxable?	Any deductible contributions and earnings you withdraw or that are distributed from your traditional IRA are taxable. Also, if you are under age 59 ½ you may have to pay an additional 10% tax for early withdrawals unless you qualify for an <a href="#">exception</a> .	None if it's a <a href="#">qualified distribution</a> (or a withdrawal that is a qualified distribution). Otherwise, part of the distribution or withdrawal may be <a href="#">taxable</a> . If you are under age 59 ½, you may also have to pay an additional 10% tax for early withdrawals unless you qualify for an <a href="#">exception</a> .

#### Additional Resources:

[Publication 590](#), Individual Retirement Arrangements (IRAs)

[Individual Retirement Arrangements](#) Web pages

[Required Minimum Distributions](#) Web pages

FAQs: [Traditional and Roth IRAs](#) 

## Use Voluntary Program to Reclassify Workers Going Forward

If you're an employer and you don't know if you are classifying your workers correctly, the IRS Voluntary Classification Settlement Program may be able to help.

The VCSP is a voluntary program that provides an opportunity for taxpayers to reclassify their workers as employees, for employment tax purposes, for future tax periods with partial relief from federal employment taxes. To participate, you must meet certain eligibility requirements and apply by filing [Form 8952, Application for Voluntary Classification Settlement Program \(VCSP\)](#), and enter into a closing agreement with the IRS.

The IRS recently modified the existing VCSP via [Announcement 2012-45](#) to:

- Permit a taxpayer under IRS audit, other than an employment tax audit, to be eligible to participate in the VCSP;
- Clarify the current eligibility requirement that a taxpayer who is a member of an affiliated group within the meaning of section 1504(a) is not eligible to participate if any member of the affiliated group is under employment tax audit;
- Clarify that a taxpayer is not eligible to partici-

pate if the taxpayer is contesting in court the classification of the class or classes of workers from a previous audit by the IRS or Department of Labor; and

- Eliminate the requirement that a taxpayer agree to extend the period of limitations on assessment of employment taxes as part of the VCSP closing agreement.

### Temporary Eligibility Expansion

The IRS also announced the VCSP TEE, or temporary eligibility expansion, that will only be available through June 30, 2013. The temporary eligibility expansion makes a modified VCSP available to taxpayers who would otherwise be eligible for the current VCSP, but who have not filed all required Forms 1099 for the previous three years with respect to the workers to be reclassified. VCSP TEE is described in [Announcement 2012-46](#).

Like the VCSP, the VCSP TEE permits eligible taxpayers to voluntarily reclassify their workers as employees for federal employment tax purposes and obtain relief similar to that obtained through the current [Classification Settlement Program](#).

Payment due under the VCSP TEE is higher than

the payment under the VCSP, but the benefits are otherwise the same for taxpayers who participate.

Eligible taxpayers who want to participate in the VCSP TEE must submit [Form 8952, Application for Voluntary Classification Settlement Program \(VCSP\)](#), on or before June 30, 2013. When applying for the VCSP TEE, applicants must:

- Write "VCSP Temporary Eligibility Expansion" at the top of Form 8952;
- Put a line through Part V, Line A3, to indicate that the applicant has not satisfied all Form 1099 requirements for each of the workers for the three preceding calendar years ending before the date of the application; and
- Not complete Part IV, Payment Calculation. Instead, taxpayers should complete and attach the worksheet provided in Announcement 2012-46 to calculate their payment under the VCSP TEE.

For more VCSP and VCSP TEE information, including the payment due and how to apply, visit IRS.gov for:

[Voluntary Classification Settlement Program](#)  
[VCSP Frequently Asked Questions](#) 

## Is It That Time Again?! Renewing the Income Withholding for Support (IWO)

**The Office of Management and Budget requires the review of federal forms every three years and the Income Withholding for Support (IWO) must be renewed by May 31, 2014. That means the federal Office of Child Support Enforcement is beginning the renewal process!**

**Input on potential form changes from all users is critical. This includes state and tribal child support agencies, employers, courts, attorneys, and other entities. Below are a few suggestions for potential updates to the form we received from users.**

- **Add language to clarify that the Consumer Credit Protection Act maximum withholding limits do not apply to independent contractors.**
- **Return to the pre-2007 standard requiring the case identifier and the remittance identifier be the same. Remove the court block (empty box) on page one if courts do not use it.**
- **Change title of the form to Income Withholding Order/Notice.**
- **Since the form is designed for all entities that issue IWOs, we would like to keep the form as concise as possible while making it relevant to all users.**

**We will notify all stakeholders including state and tribal child support agencies, the judicial community, and employers when notice is published in the Federal Register seeking comments on renewal of the IWO. The OMB approved IWO form was published in Action Transmittal 11-05 and may be found –on the [Revised Income Withholding for Support Web page](#).**

**If you have questions about the IWO form, who must use it, or would like to discuss this further, please contact Cindy Holdren at [cynthia.holdren@acf.hhs.gov](mailto:cynthia.holdren@acf.hhs.gov) or 240- 676-2808.** 