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SSA/IRS

Reporter

Social Security Administration

Internal Revenue Service

A Newsletter for Employers

Summer 1995

Calculate Social Security Benefits at Your PC

Several new resources are available that employers can use to answer questions about how Social Security benefits are calculated. You can even get a Social Security benefits estimate by using your personal computer.

The ANYPIA computer program was developed by SSA's Office of the Actuary. It works on IBM and compatible PCs to produce the Social Security primary insurance amount (PIA) on which old-age, survivors, and disability insurance benefits are based. You supply your birth date, your complete earnings record, and the type of benefit you want estimated.

The program provides an estimate of the monthly benefit amount, maximum family benefit, and actuarial reduction or increment factor (for early or delayed retirement). You can review the results on your screen and print them. The ANYPIA-generated estimate is not an official computation. It is a close estimate of your future Social Security benefits.

If you use the Internet, you can obtain ANYPIA free from Social Security via Internet's "anonymous.ftp" protocol. The Internet address is ftp.ssa.gov. When you're connected, change to the proper directory using the command: cd oact. Download the files readme.pia (a help file) and anypia.zip (the program user's guide and source code in zipped format). To unzip, use the command: pkunzip anypia.zip.

If you're not yet on the information super highway, you can obtain the file ANYPIA on a computer diskette by contacting the National Technical Information Service (NTIS), an agency of the Department of Commerce. To order the diskette and the user's guide, you can call NTIS at (703) 487-4650 or mail your request to: National Technical Information Service, 5285 Port Royal Road, Springfield, VA 22161, Attn: Sales. Specify product number PB94-500725 for a high-density 5 1/4 inch diskette, or product number PB94-500733 for a high-density 3 1/2 inch diskette. The NTIS charge is $55 for the diskette, plus a $3 handling fee to cover costs. You may pay by check or charge the amount to your VISA, MasterCard, or American Express account. Please note, SSA DOES NOT distribute ANYPIA diskettes.

SSA offers a free factsheet entitled *How Your Retirement Benefit is Figured.* To request a copy, call SSA's toll-free number 1-800-772-1213 and request Publication No. 05-10070. —*SSA*

SSA Experiences Processing Difficulties

SSA has experienced some processing difficulties at its Salinas, California Data Operations Center which resulted in the loss of paper W-3/W-2 reports submitted by some employers. As a result, those paper filers impacted may need to resubmit their W-3/W-2 reports.

Employers whose Forms W-3/W-2 have been impacted will be notified by SSA and given instructions for resubmitting their reports. Since processing is still underway, the employers specifically impacted are not fully known and, therefore, employers are asked not to contact the agency about their reports unless specifically notified. Late filing penalties will not be imposed on employers who resubmit their reports.

In future years SSA expects problems associated with processing paper W-2s to all but disappear. The agency plans to take advantage of modern technology and more up-to-date reporting methods, including increased submission of W-2s on computer diskettes (already used by many businesses) and on-line electronic reporting via SSA's telephone bulletin board service (which was successfully tested during the 1994 reporting season). —*SSA*

1995 Nationwide Tax Forum Conferences and Exhibitions

This summer the 1995 IRS Tax Conferences will be held in the following locations on the dates indicated:

July 6 - 7
Philadelphia Marriott
1201 Market Street
Philadelphia, PA 19107

July 19 - 20
Radisson Hotel
165 Courtland & Int'l
Atlanta, GA 30303

August 9 - 10
The Westin Galleria Hotel
5060 West Alabama
Houston, TX 77056

August 30 - 31
Las Vegas Tropicana
3801 Las Vegas Blvd. So.
Las Vegas, NV 89109

Among the presentations scheduled are:

- 1996 Changes to the Electronic Filing Program
- Electronic Filing - Shopping for Software
- Employment Taxes
- Tax Payments: Today and Tomorrow

The tax forums provide a valuable opportunity for the public and the IRS to exchange information and ideas. You are encouraged to attend. –*IRS*

Market Segment Specialization in the Examination Division

Market Segment Specialization is a new approach IRS is taking to address areas of compliance.

The objectives of the Market Segment Specialization Program (MSSP) are to share MSSP expertise through educational efforts with taxpayers, involve representatives of key market segments (specific industries, groups, professions) who can deal with the underlying cause of non-compliance, and conduct tax audits using examiners who have specific skills and knowledge of the particular market segment.

This differs from the traditional approach of examiners being "generalists" who are assigned tax returns dealing with a variety of unrelated businesses.

MSSP also calls for the development and use of an "Audit Techniques Guide" (ATG) for each major market segment. These are developed by IRS with input from industry representatives. The ATGs include compliance concerns and the more common issues, accounting procedures, audit techniques, and tax law relating to the particular industry. The ATGs are used for IRS internal training purposes and are available to taxpayers, practitioners, and other interested persons upon request.

The ATGs are currently available for the following market segments: Air Charters, Attorneys, Bed and Breakfast, Foreign Athletes and Entertainers, Gas, Mortuaries, Music, Passive Activity Losses, Rehabilitation Tax Credit, Taxicabs, and Trucking. To get a price list write to: IRS Freedom of Information Reading Room, P.O. Box 795, Ben Franklin Station, Washington DC, 20044.

The one who benefits the most from MSSP is the taxpayer. The increased efficiency and responsiveness of IRS means the taxpayer spends less time and effort preparing and filing the necessary forms. The approximately 20,000 tax examiners also benefit from MSSP because their new professional expertise enhances their ability to conduct audits and exchange information with taxpayers, practitioners, and industry representatives. For more information, order IRS Document 9098 by calling 1-800-829-3676. *—IRS*

PEBES Informational Package for Employees

SSA has prepared the *PEBES Employer Information Package*, Pub. 20.003, to help employers respond to many generic questions that employees may ask, as well as information about correcting erroneous postings. You can get a copy of the Information Package (not the actual PEBES statement) by:

- Accessing SSA's Bulletin Board System with a PC and a modem by dialing (410) 965-1133. The system will let you preview the package as well as download it to your PC and print.
- Contacting the Regional Magnetic Media Coordinator assigned to your state (if you don't know the Coordinator's name and telephone number, call SSA at 1-800-772-1213 to request that information).

As promised in the Spring edition of the *Reporter*, the following is another excerpt from the Information Package. This excerpt encourages employees to do their part in making sure wages are reported properly.

Promptly reporting name changes (e.g. change in marital status) by contacting SSA at 1-800-772-1213 and requesting an SS-5, *Application for Social Security Card*, is one way your employees can do their part. It is important for employees to understand that notifying their payroll office of a name change will not change SSA's records and will cause name and Social Security Number (SSN) mismatches to occur each year until SSA is notified. Consequently, employers should not change payroll records until the employee has obtained a new Social Security card. Payroll offices may wish to keep a supply of SS-5s for distribution to employees reporting name changes. Call the SSA toll-free number to order SS-5s.

We also suggest that each year you ask employees to verify that their names and SSNs match their payroll records. That will help you catch any name and number mismatches before end-of-year filing.

And, finally, remind employees to be responsive if contacted by SSA. It is likely that SSA is attempting to resolve a name or SSN discrepancy reported on a Form W-2. If the discrepancy goes unresolved, earnings may be held in a suspense file rather than credited to an employee's earnings record.

The next edition of the *Reporter* will contain Section V of the Employer Information Package concerning the availability of services and publications designed to assist employers. *—SSA*

Form 941E Obsolete

Taxpayers are still filing Form 941E, *Quarterly Return of Withheld Federal Income Tax and Medicare Tax*, although they were notified that this form was made obsolete December 31, 1993. For payments starting January 1, 1994, filers who previously filed Form 941E must now report any employment tax and withholding wages on Form 941, *Employer's Quarterly Federal Tax Return*, and any non-payroll income tax withholding on Form 945, *Annual Return of Withheld Federal Income Tax*. Beginning in 1994, adjustments to correct previously filed Forms 941E can be made by making a current period adjustment on Form 941 and attaching a Form 941C, *Supporting Statement to Correct Information*, or an equivalent statement providing the same information. Do not file the Form 941C separately. If there is a need to correct an administrative error for non-payroll income tax withholding reported on Forms 941 or 941E, the adjustment can be made on Form 945. Taxpayers should follow the instructions on the forms or get Circular E (by calling 1-800-829-3676) for further information on how to file Forms 941 and/or 945. *—IRS*

Notice 970 (February 1995)

Reporting Sick Pay Payments Made by Third Parties

Section I.-The Instructions Below Apply When the Third Party Transfers Liability for Reporting to the Employer.

What the Employer Must Report

Form 941

- On Line 2-include the total amount of sick pay the third party paid your employee(s).
- On Line 6a-include the total amount of sick pay the third party paid your employee(s) (for social security tax computation purposes).
- On Line 7-include the total amount of sick pay the third party paid your employee(s) (for Medicare tax computation purposes). After you make the calculations for lines 6a, 6b, and 7, enter the total on line 8.
- On Line 9, enter the employee portion of the social security and Medicare tax that the third party withheld and deposited. Also enter the sick pay adjustment in the "Sick Pay" adjustment entry space. Subtract line 9 from line 8.

Form W-2

You must give the employee(s) a Form W-2 that shows the sick pay amounts. This can be either the regular W-2 you give the employee(s) that shows other wages and includes the sick pay amounts, or a separate W-2 that shows only the sick pay amounts and labels it as third party sick pay.

On either the regular or a separate W-2 enter the following in:

- Box 1-the amount the employee must include as income;
- Box 2-the amount of income tax the third party withheld (if any);
- Box 3-the amount of sick pay that is subject to employee social security tax;
- Box 4-the amount of social security tax the third party withheld;
- Box 5-the amount of sick pay that is subject to employee Medicare tax;
- Box 6-the amount of Medicare tax the third party withheld;
- Box 17-any amount not included in income because the employee contributed to the plan.

What the Third Party Must Report

Form 941

You must file a Form 941 with IRS showing the employee's portion of the social security and Medicare taxes that you withheld. These amounts must be included with other appropriate items you report.

- On Line 2-DO NOT INCLUDE any sick pay amounts you paid as a third party;
- On Line 3-include any income tax withheld on sick pay;
- On Line 6a-include the amount of sick pay you paid as a third party (for social security tax computation purposes);
- On Line 7-include the amount of sick pay you paid as a third party (for Medicare tax computation purposes); After you make the calculations for lines 6a, 6b, and 7, enter the total on line 8.
- On Line 9-deduct the share of the social security and Medicare taxes that the employer paid. Also enter the sick pay adjustment in the "Sick Pay" adjustment entry space.

Form W-2

Because you withheld federal taxes from persons for whom you do not file Forms W-2, you must file:

A "Dummy" Form W-2, which contains the totals of all sick pay amounts you paid, and taxes you withheld for this tax year. This form, which reflects consolidated information, is called a "dummy" to distinguish it from a form that contains data for a single individual.

On this "dummy" Form W-2 enter in:

- Box 1-the total of all the sick pay you paid;
- Box 2-the total amount of any income tax you withheld from the sick pay;
- Box 3-the total of all sick pay subject to employee social security tax;
- Box 4-the total employee social security tax you withheld from the sick pay and reported to IRS on your Form 941;
- Box 5-the total of all sick pay subject to employee Medicare tax;
- Box 6-the total employee Medicare tax you withheld from the sick pay and reported to IRS on your Form 941;
- Box e-the words "Third Party Sick Pay" in place of the employee's name.

A Separate Form W-3 — Enter the totals from the dummy Form W-2.

Important Note: You should use your own (third party) employer identification number (EIN) for all documents you file with IRS, EXCEPT when you are preparing an employer's Forms W-2 as an agent for that employer. In that case, and that case only, you should enter the employer's number on those forms.

Section II.-When the Third Party Has Not Transferred Liability for Reporting to the Employer.

What the Employer Must Report

Form 941

Report only the wages you paid to the employee. Do not include on line 2 or in the computations on lines 6a or 7 the amount of sick pay the third party paid the employee. Also, do not report on line 3 any income tax withheld on the sick pay.

Form W-2

Report only the wages and taxes that you paid or withheld as the employer.

What the Third Party Must Report

Form 941

On Line 2, report the total of all sick pay amounts. Also include this amount on lines 6a and 7 for social security and Medicare tax computation purposes and report any income tax withheld on line 3.

Form W-2

Prepare a Form W-2 for each employee you paid sick pay. Enter all the sick pay amounts, related taxes, etc. that you paid or withheld as a third party. *—IRS*

A little short between paydays?

In 1995 If you will earn under $24,396 and have at least one child living with you in the U.S., you may be eligible for extra money in each paycheck.

Ask your employer about the Advance Earned Income Tax Credit, or call the IRS at

1-800-829-1040.

Fascinating Facts

Did you know, at this very moment...you can throw away your FTD coupon book and pay your taxes from your office phone or personal computer. Over 25,000 taxpayers are already using this method. You can use it, too. Call our toll-free HELPLINE at 1-800-829-5469 or write to the Internal Revenue Service at:

Cash Management Site Office
Atlanta Service Center
P.O. Box 47669
Stop 295
Doraville, GA 30362 —*IRS*

Setting the Record Straight

Employers often ask their payroll office questions about Social Security. Some typical questions include: Why do I have to pay Social Security tax? Wouldn't I be better off investing the money myself? Will Social Security still be there when I retire?

The next few editions of the *Reporter* will address such questions and provide information to help employers answer questions about Social Security.

In response to employees' questions about why they should pay into Social Security instead of investing the money themselves, employers can point out the following:

Any retirement income provided by private retirement plans, such as Individual Retirement Accounts, depends on how well the investment performs over the years. Even relatively safe private investments can carry risks. Social Security retirement benefits are guaranteed to eligible workers and their dependents by the U.S. Government. Social Security retirement benefits provide a foundation on which an individual can build a secure retirement that is supplemented by other investments and pension income.

Also, the Social Security taxes that the worker pays buys much more than retirement benefits. Social Security taxes also pay for potentially valuable disability benefits for employees and their families, as well as benefits for families should the worker die. —*SSA*

Q&A

Q. Why do benefit estimates on a Personal Earnings and Benefit Estimate Statement (PEBES) that a person requests differ from those on a PEBES that Social Security automatically sends to people who are age 60 or older?

A. Benefit estimates differ because of the way Social Security calculates the amount. The PEBES that a person requests is calculated using not-yet-posted earnings amounts for the previous year, current year earnings, and an estimate of future earnings supplied by the requester. The Social Security-initiated PEBES estimates the amount of earnings the person can expect to earn by looking at the most recent earnings posted on his or her record. Because of this variation, a person who requests a PEBES and also receives a Social Security-initiated PEBES could see different benefit estimates.

To help you answer employees' questions about how Social Security benefits are calculated, call Social Security's toll-free number, 1-800-772-1213, and request the factsheet entitled, *How Your Retirement Benefit is Figured*, Publication No. 05-10070. —*SSA*

Tax Tips

Tax Tips Newsletter

Are you just entering the small business arena? "Tax Tips," a newsletter for the new small business owner, explains basic tax law and procedures in simple terms. You will get definitions of IRS terms and penalties, payroll and estimated tax deposit due dates, helpful recordkeeping and accounting tips, overviews of the audit and collection processes, the problem resolution program and more. Each issue will list the IRS toll-free numbers for assistance, free publications, and recorded tax information.

If you would like to order a free one-year subscription, please send a postcard with your name and address to:

IRS Tax Tips Newsletter
PC:C:C, Room 7018
1111 Constitution Ave., NW
Washington, DC 20224 —*IRS*

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