

FEDERAL, STATE AND LOCAL GOVERNMENT SPECIALIST

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USEFUL PUBLICATIONS FOR GOVERNMENT ENTITIES

Publication 15-A.....Employer's Supplemental Tax Guide
Publication 15-B.....Employer's Tax Guide to Fringe Benefits
Publication 510.....Excise Taxes
Publication 963.....Federal, State Reference Guide
Publication 463.....Travel, Entertainment, Gift & Car Expense
Publication 966.....Electronic Fed Tax Payment System
Publication 3767.....CD Rom Resource Guide for Pension Plans
Publication 1281Backup Withholding Requirements

Useful Telephone Numbers:

Excise Tax Assistance..... 1-866-699-4096
Toll Free Call Site for Gov Entities..... 1-877-829-5500
Toll Free Forms Order Site..... 1-800-829-3676
1099 and W-2 Assistance..... 1-866-455-7438

Internet

www.irs.gov/govts and www.ssa.gov

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Section 218 Information

State Social Security Administrator:
Jean Gilding..... 608-266-1210
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EXTENDED INSURANCE COVERAGE

- Employer paid health insurance premiums for their employees are excludible from employees gross income under IRC 106
- Benefits received under the plans are excludible under IRC 105(b)
- Family coverage includes employees and “dependents: i.e. Spouse and unmarried children under age of 19 or full time student or totally and permanently disable prior to 3/30/10.

- Federal Law extends the exclusions under 105(b) and 106 to premiums paid on behalf of and benefits provided to “dependents” of employees as defined in IRC 152.
- Dependent definition has been expanded under State law for insurance purposes through age 27.

- Notice 2010-38 Affordable Care Act
- Effective 3/30/2010 payments made under employer provided plan and amounts paid for reimbursement for medical care expenses for and employee's dependents or employee's child who has not attained age of 27 as of the end of the employee's taxable year is not included in gross income.
- One year gap in age between State of WI and Federal Affordable Care Act.

NOTICE 2010-38 EXAMPLES

- Summary topic article from irs.gov website
- Page 5 of Notice
 - Examples 1-5

PROBLEMS

- IRC 61 and assignment of income principles the value of health insurance coverage provided for a non-dependent as compensation for an employee's services is included in the employee's gross income.
- Exclusions under 105(b) and 106 and 125 only apply to premiums on behalf of employee and dependents as defined in IRC 152.

IMPUTED INCOME APPLIES

- No provision in Internal Revenue Code or regulations on how to impute
- A reasonable consistent method should be applied

EXAMPLE IMPUTED INCOME

Monthly cost of family health	\$1,517.41
Monthly cost of single health	<u>-648.46</u>
	\$ 868.95

$\$868.95 / 2.93$ (average dependents per family) = \$296.57

Example - Continued

\$1,517.41 – Monthly Prem – Family Plan
<u>1,285.16 – Employer Share – non taxable</u>
\$ 232.25 - Employee contribution –non taxable

\$1,517.41 Monthly prem – Family Plan
296.57 – Non Employee Cost – taxable cost
968.59 – new employer share - non-taxable
232.25 - employee contribution – non taxable

GROUP TERM LIFE INSURANCE

- Publication 15-B Taxable Fringe Benefits
- Review handout pages 11-13

COMPLIANCE VERIFICATION CHECKLIST FOR STATE AND LOCAL GOVERNMENTAL ENTITIES

- Voluntary self-assessment tool for governmental entities
- In the future will be electronically fillable on our [irs.gov](https://www.irs.gov) website
- Draft copy only, watch [irs.gov](https://www.irs.gov) for final version

QUICK OVERVIEW OF CHECKLIST