

# Benefits Buzz

Benefits and HR tips brought to you by the insurance professionals at Midlands Financial Benefits, Inc..

## DID YOU KNOW?

Under health care reform, fully insured group health plans will be subject to federal nondiscrimination rules for the first time, representing a major change for those plans.

Due to ambiguity regarding this provision, the IRS has delayed the application of the new nondiscrimination rules until after regulations are issued. Those regulations will provide a new effective date.



## IRS Guidance: Independent Contractors

Knowing the difference between an employee and an independent contractor is essential. The IRS provides seven things business owners should know:

1. The IRS uses three factors to determine the relationship between businesses and workers:
  - **Behavioral control** – Does business have right to direct how the work is done through training, instructions, etc.?
  - **Financial control** – Does the business have the right to control the financial and business aspects of the worker's job?
  - **Type of relationship** – How do the workers and business owner perceive their relationship?
2. If you have the right to control not only what is to be done, but also how it is done, your workers are likely employees.
3. If you can direct only the result of the work done (not means of accomplishing the result), your workers are probably independent contractors.
4. Employers who misclassify workers as independent contractors can end up with substantial tax bills and face penalties.
5. Workers can avoid higher tax bills and lost benefits if they know their proper status.
6. Both employers and workers can ask the IRS to determine whether the individual is an employee or independent contractor, by filing a Form SS-8.
7. To learn more, visit the IRS website: [www.irs.gov/businesses/small/article/0,,id=99921,00.html](http://www.irs.gov/businesses/small/article/0,,id=99921,00.html).

## Lower Payroll Tax Could Boost 401 (k) Savings

In December 2010, President Obama signed into law a tax bill that included a one-year reduction in workers' Social Security taxes, from 6.2 percent in 2010 to 4.2 percent in 2011.

Essentially, this increases the take-home pay for American workers, creating an excellent opportunity to promote greater 401(k) or 403(b) savings.

Plan sponsors should consider encouraging employees to increase their plan contributions by the same amount of the tax savings, putting more money into their retirement fund without lowering their normal take-home pay.

Educate employees about this tax benefit and the advantages to contributing more to their retirement fund, even if just for one year. One year of increased saving can make a significant difference, especially for employees decades away from retirement.