

DOMINION QUARTERLY NEWSLETTER

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HEALTH CARE REFORM – 2011 W-2 REPORTING

Beginning January 1, 2011, employers are going to be required to report the aggregate cost of employer-sponsored health coverage on an employee's Form W-2. The information must be disclosed, but does not mean that the cost of the coverage will be taxable to the employee.

Dominion Systems recommends that you contact our Installations Department (installs@dominionsystems.com) and set up the "Employer Portion of Health Care Premium" in your payroll system as a separate memo item prior to January 1, 2011. That way you will be ready to start accumulating the cost at the beginning of 2011 and will be in compliance at the end of the year for W-2 reporting.

Full regulations have not been released yet. Dominion Systems will communicate to you once they are received.

EARNED INCOME TAX REPEALED FOR PAYROLL

Beginning on January 1, 2011, the advanced payment of Earned Income Tax Credit through payrolls will be repealed. Individuals will still be able to claim the full amount of credit – but it will be accomplished on their personal income tax return.

Please contact your employee's who participate in this program and notify them that you no longer can accept a form W-5. Suggest that they should complete a new Federal W-4 for the tax year 2011.

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PROPOSAL TO MANDATE EFTPS

The IRS has issued proposed regulations which would eliminate the rules for making federal tax deposits by paper coupon after December 31, 2010.

By having your payroll taxes processed by Dominion Systems, you do not have to make any changes for your Payroll Federal Taxes. We already report and pay your 941 and 940 taxes by EFTPS.

Please see the following web link for further details.
<http://www.irs.gov/businesses/articled/0,,id=227767,00.html>

FSA'S – HRA'S OVER THE COUNTER MEDICATION

The Affordable Care Act, enacted in March, 2010, established a new uniform standard, effective January 1, 2011, that applies to FSA's and HRA's in regard to reimbursement of over-the-counter (OTC) medicines or drugs.

Under the new Act, the cost of these OTC medicines or drugs cannot be reimbursed from the account unless a prescription is obtained. The change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays and deductibles.

A similar rule goes into effect on January 1, 2011 for HSA's and Archer Medical Savings Accounts.

SSN RANDOMIZATION

The Social Security Administration (SSA) is changing the way Social Security Number's (SSN) are being issued. This is being developed to help protect the integrity of the SSN.

The first three digits were an "area number", the next two digits were "group number", and the ending 4 digits were a serial number.

SSN randomization will eliminate the geographical significance of the first three digits. It will also eliminate the highest group number and as a result, the High Group List will be frozen in time and can be used for validation of SSN's issued prior to the randomization.

Previously unassigned "area numbers" will be introduced for assignment, excluding numbers of 000, 666 and 900-999. This new scheme is expected to start around June 26, 2011.

SOCIAL SECURITY ESTIMATED WAGE BASES

The Board of Trustees of the Social Security Trust Fund reports each year on the financial condition of the social security program. The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, issued on August 5, 2010, reports the following Estimated Wage Base for Social Security Wages based on current law and does not take into account any changes in provisions that might be made in the future.

2011	\$106,800
2012	\$113,700
2013	\$118,200
2014	\$123,600
2015	\$129,300
2016	\$135,300
2017	\$141,000
2018	\$147,300
2019	\$153,600