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NEWSLETTER NEWSLETTER NEWSLETTER

Strand Boyce Associates, CPAs, Inc.

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California's Paid Sick Leave Law

We thought employers had more than enough regulations and laws to deal with, but the great state of California decided there is always room for more. As if you didn't already have enough headaches complying with employee-related legislation, here is the latest migraine-inducing law for you to deal with.

Effective on July 1, 2015 California's Healthy Workplaces, Healthy Families Act of 2014 (California Paid Sick Leave Law) went into effect. Under the new law, with some limited exceptions, all businesses with employees who work in California will need to provide up to 24 hours or three days of paid sick time to current and new employees. For employers in California cities that already have a mandated sick leave law (Emeryville, San Francisco, San Diego, Oakland, Long Beach, and Los Angeles), compliance with multiple laws may prove challenging.

- The law requires employers to provide 1 hour of accrued paid sick leave for every 30 hours worked regardless of whether the employer designates the employee as temporary, permanent, part-time, or seasonal.
- Employees will be able to carry over accrued sick leave into the next calendar year, subject to a cap of six days (48 hours). No accrual or carry over is required if the full 24 hours is allocated at the beginning of each year (known as the front load method).
- Employers are not required to pay out accrued, unused sick leave at the time of termination (unless it's part of a formal PTO plan). However, under the new law, former employees who are rehired within one year regain their previously unused, accrued sick leave bank.
- Employers will need to keep records of their employees accrual and make that information available on their employees pay stubs or an accessible online system. Failure to comply with this item and other posting requirements can result in a penalty of up to $4,000.
- Employees will be able to use their accrued paid sick time as paid time off for their own health condition, caring for a family member, or if they are the victim of domestic violence.
- Salaried employees will need to have hours recorded in order to track sick time accruals.

If you need help getting your sick leave policy compliant, give us a call and we can connect you with an HR professional who can assist.

Health Reimbursement Arrangements and the Affordable Care Act

A Health Reimbursement Arrangement (HRA) is fancy language for what you commonly might know as an employer reimbursing an employee the premium for the employee's personal health insurance plan. This has long been an acceptable and common practice for small employers who wanted to provide health insurance for employees, but could not do so economically through a small group plan. You thought you were doing something good for your employees, right? Enter the Affordable Care Act (ACA).

The new law does not think this is a good idea. In fact the ACA thinks this is such a bad idea that they will penalize any employer who engages in this practice $100 per day per employee, forcing you to agree with them and stop reimbursing your employee for their health insurance premiums.

What?! The ACA is forcing employers to purchase health insurance through the Exchange or else!

But wait! I can't buy my employee a plan on the Exchange that is comparable to the individual plan that he or she currently has.

Yep, that might be the case. You still have to purchase the plan from the Exchange.

What are my options?

1.) Pay the penalty – OUCH! No Way!

2.) Stop reimbursing your employee for his or her health insurance premium and instead give the employee a raise equal to what you would have paid toward the premium. (However, you cannot mandate that the employee use this raise to pay for his or her medical premiums.)

When does this all start? The effective date is July 1, 2015. It has been delayed twice before, but we're not hopeful that it will be retroactively delayed again.

Wait, Wait. What About Medicare?

As long as the employer has a small group plan that is ACA compliant and the employee is enrolled in Medicare Part A and B and is paying their own Medicare premiums, generally withheld from their social security check, the employer can reimburse for Part B and/or Part D.

Your insurance benefits broker can help you navigate buying insurance on the Exchange.

http://www.dol.gov/ebsa/faqs/faq-aca22.html

IRS Notice 2015-17

The Affordable Care Act (ACA) is complicated. If you are working with a payroll service that offers HR compliance help, be sure to reach out to them to help you identify issues in your business that they can help you with. If you have questions or concern, please give us a call and we can help put you in touch with an HR specialist.

When MUST You Reimburse Your Employees' Cell Phone Usage?

Recent case law from Cochran vs. Schwan's Home Service, Inc. 2014 states that employers must reimburse their employees for cell phone use when the employee is required to use their personal cell phone for work-related calls. Whether the employees have cell phone plans with unlimited minutes or limited minutes, the reimbursement owed is a reasonable percentage of their cell phone bills.

Household Employment Basics (AKA the Nanny Tax)

Who is a household employer? If a family employs an individual to perform duties around their home and has the right to control when, where, how or by whom the work should be performed, then you might be a household employer. Examples of household employees are:

- Nannies
- Senior Caregivers
- Housekeepers
- Private Nurses
- Personal Assistants
- Chefs
- Estate Managers
- Landscape / lawn care workers

Household employers have four major employment tax responsibilities, if they pay any individual $1,900 or more in a calendar year:

- Withhold payroll taxes from the employee's pay (Social Security, Medicare, state disability)
- Pay employer taxes (Social Security, Medicare, federal and state unemployment)
- File state and federal payroll tax returns throughout the year
- Provide W-2 forms and file Schedule H at year end

Nanny Tax - Labor Law Obligations

Once you are a household employer you have several major employment law responsibilities:

- Provide written wage notice at time of hire
- Provide detailed pay stubs
- Adhere to minimum wage and overtime standards
- Provide workers' compensation insurance
- Comply with paid sick leave ordinance

Note: there is no obligation to provide paid vacation, paid holiday, or health insurance

Nanny Tax - Dependent Care Tax Breaks

Amounts paid to a household worker may qualify for certain tax benefits. Examples are:

- Flexible Spending Accounts (FSA) will allow you to pay for up to $5,000 of dependent care costs using pre-tax dollars. You must enroll in *your* employer's plan.
- Or, Child or Dependent Care Tax Credit allows up to 20% of $3,000 per child or dependent ($600) as a tax credit taken on *your* tax return.

Remember both spouses must have earned income to qualify for either of these tax benefits.

New IRA Rollover Rules in 2015

Starting in 2015, taxpayers will be allowed <u>only one IRA-to-IRA rollover during a one-year period</u>. This rule applies if you receive a distribution from your IRA and you want to

deposit the funds back to an IRA (the same IRA or a different one) within 60 days to ensure the distribution is not taxable. Once you make such a rollover, you cannot do another rollover until one year later. It does not matter how many IRAs you have – the new interpretation of the rollover rule applies to your IRAs in the aggregate. IRS will revise Publication 590 to reflect the new rule. Note: <u>This rule does not affect your ability to *transfer* funds directly from one IRA trustee or custodian to another</u>, because such a transfer is not a rollover.

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We appreciate the confidence you have in us. It is not taken for granted.

Fast Approaching Tax Deadlines

Corporate, partnership, and trust tax returns:

September 15th

Individual tax returns:

October 15th

As always, we appreciate your referrals. Your confidence in us is greatly valued.

We say it each year, and it is still true today: We enjoy what we do and we enjoy working with you!

Employers: Safeguard Your 401(k) Plan!

Thanks to the Pension Protection Act of 2006 ("PPA"), an employer who sponsors a 401(k) or other type of defined contribution retirement plan is required to restate the plan by April 20, 2016. Failure to complete and adopt this restatement by the deadline could result in the disqualification of the plan and possible taxation for participants and the employers loss of deduction and penalties.

Attention! If you are using a bookkeeping service, remember bookkeepers do not have a professional obligation to retain your records for any length of time. It is good business practice to regularly get all records, ledgers, data backups, etc. from your bookkeeper and maintain these records at your worksite.