Social Security *News*

Employer news from the Alaska Division of Retirement and Benefits

| Winter 2010-2011 | Issue #11

In This Issue:

Save the date - January 27 IRS Webinar

Section 218 tools, tips, and compliance

The IRS Tax Exempt/Government Entities Division and Federal, State, and Local Governments will present a **free** webinar on January 27, 2011, on Section 218. Section 218 Agreements are written voluntary agreements between a state and the Social Security Administration to provide social security and Medicare or Medicare-only coverage for state and local government employees. A strong understanding of Section 218 is crucial for individuals whose duties involve wage payments made to state and local government employees.

This webinar is recommended for any official who oversees government employee pay or is in charge of those who do, including **payroll and human resource officials for townships, schools, colleges, universities, villages, boroughs, towns, cities, and states.**

Do you know:

- why some government entities pay into social security and others do not?
- why some government workers have social security tax withheld from their pay, others only make contributions into a state retirement system, and some pay into both?
- why some government workers have Medicare tax withheld from their wages and not social security tax?

Attend the webinar and learn the answers to these questions and more:

- What is Section 218 and why is it important to government employers and employees?
- Legislative history of Section 218
- Basic concepts of Section 218
- To what government entities does Section 218 apply?
- What services are excluded from Section 218?
- Examples of potential Section 218 compliance issues.
- FSLG Compliance Self-Assessment Tool

Earn Continuing Professional Education credit:

- Enrolled agents receive one CPE credit for participating for a minimum of 50 minutes from the start of the webinar.
- Other tax professionals may receive credit if the webinar meets your organization's or state's CPE requirements.
- To receive credit, you must attend the presentation on January 27. Register for the webinar using your e-mail address, and use the same e-mail address to log in to attend. This will confirm your attendance and generate your Certificate of Completion.
- Only January 27, 2011 participants will receive certificates. If you do not need a certificate to obtain CPE credit, you may choose to view the archived version of the webinar.
- Look for your Certificate of Completion by e-mail approximately **one week** after the webinar. If you have met all requirements, you will receive your certificate automatically.

The webinar is free and is oriented toward state and local government entities as well as tax professionals. Register online at www.visualwebcaster.com/event.asp?id=74074. The webinar will be held at 11:00 a.m. Pacific Standard Time. It will be archived for later viewing, approximately two weeks after the date of the event at www.irsvideos.gov/webinars.

For information on future programs, visit www.irs.gov and search Webinars.

Payroll tax cut to boost take-home pay for most workers*

New withholding details now available on IRS.gov

Workers who participate in Social Security will see their take-home pay rise during 2011.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provides a two percentage point payroll *tax cut for employees*, reducing their Social Security tax withholding rate from 6.2 percent to 4.2 percent of wages paid. This reduced Social Security withholding will have no effect on the employee's future Social Security benefits.

NOTE: ***The employer tax rate for Social Security remains unchanged at 6.2 percent.***

The new law also maintains the income-tax rates that have been in effect in recent years.

The Internal Revenue Service recently released instructions to help employers implement the 2011 cut in payroll taxes, along with new income-tax withholding tables that employers will use during 2011.

Employers should start using the new withholding tables and reducing the amount of Social Security tax withheld as soon as possible in 2011 but **not later than Jan. 31, 2011**. Notice 1036, contains the percentage method income tax withholding tables, the lower Social Security withholding rate, and related information that affected employers need to implement these changes. Publication 15, (Circular E), Employer's Tax Guide, containing the extensive wage bracket tables that some employers use, is available on IRS.gov.

For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible but not later than March 31, 2011.

Employers will handle the withholding changes, so workers typically won't need to take any additional action, such as filling out a new W-4 withholding form.

The IRS urges workers to review their withholding every year and, if necessary, fill out a new W-4 and give it to their employer. For example, individuals and couples with multiple jobs, people who are having children, getting married, getting divorced or buying a home, and those who typically wind up with a balance due or large refund at the end of the year may want to consider submitting revised W-4 forms. If you have employees wanting more information on how to make changes to their tax withholding, refer them to Publication 919, How Do I Adjust My Tax Withholding?

***Exceptions:** Exceptions to this are employers enrolled in the Supplemental Annuity Plan (SBS-AP) or employees excluded from Social Security because they are enrolled in alternate plans.

Social Security to change how numbers are issued

Change will be implemented beginning June 2011

Were you aware that the first three digits of the Social Security Number (SSN) had a geographical significance? Since the inception of SSNs, the first three digits were determined by the zip code of the mailing address shown on the application for an SSN -- but this is slated to change in 2011. In an effort to increase the number of SSNs available for use by the Social Security Administration (SSA) and in order to help reduce identity theft, SSA plans to change the methodology by which SSNs are issued. In June 2011, SSA will begin to issue SSNs randomly, regardless of the address on the

application. As a result, SSA will have the ability to continue to issue SSNs in all areas of the country for many more years without having to make additional changes.

Your computer systems or information technology staff may need to revise their programs to account for these changes.

What will change?

- Anticipated implementation date is June 2011.
- SSA will no longer issue SSNs based on geography.
- SSA will issue SSNs with the number “8” in position 1.
- SSA will include all possible SSNs with the number “7” in position 1. Currently, SSNs that start with “7” are for certain states and other specific groups.
- Effective June 2011, SSA will no longer update the High Group List. SSA offers verification services that are more accurate than using the High Group List.

Resources for more information:

Information and instructions to verify social security numbers:
www.socialsecurity.gov/employer/ssnv.htm#overview

Social Security Number allocations:
www.socialsecurity.gov/employer/stateweb.htm

Social Security Number randomization:
http://www.socialsecurity.gov/employer/randomization.html

Have questions about any of the information at these links? Send an e-mail to
ssn.randomization@ssa.gov

IRS announces 2011 standard mileage rates

Beginning January 1, 2011, the standard mileage rates for the use of an automobile (includes vans, pickups and panel trucks) will be:

- 51 cents per mile for business miles driven
- 19 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Revenue Procedure 2010-51 contains additional details regarding standard mileage rates.

Check out latest edition of Federal, State, and Local Government (FSLG) newsletter

The FSLG newsletter is published semiannually and provides information about current developments and upcoming events of interest to government entities. The January 2011 edition contains a couple of topics that are pertinent to Alaska: changes to drug reimbursements under Health Flexible Spending Arrangements and issues for nonresident alien students and teachers. To read the January 2011 edition, please visit the FSLG Newsletter section of IRS.gov.

We hope you find this newsletter helpful. If you have any questions or suggestions please feel free to contact us. Any feedback from you will be greatly appreciated. The following people are your contacts in the Audit Section:

Katherine (Kay) Gouyton
Division Auditor, State Social Security Administrator
Toll free: 1-800-821-2251; (907) 465-5707
Robert Gregg
Internal Auditor, State Social Security Assistant
Toll free: 1-800-821-2251; (907) 465-4469

Click here for past issues back to 2008. Send any comments to Kay Gouyton or the editor, Barbara Kelly.

The Audit Section operates under the guidance of IRS Publication 963 and the *State & Local Coverage Social Security Handbook*, SSA Publication No. 16-055.

Please refer to IRS.gov and SSA.gov for additional information.

Social Security *News* is published quarterly by the
Alaska Division of Retirement and Benefits
State Office Building
333 Willoughby Avenue, 6th Floor
PO Box 110203
Juneau, AK 99811-0203
Editor, Barbara Kelly