employees only
Your Human Resource Department

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New Law Curbs Jobless Benefits for Drug Test Refusal/Failure

Michigan Gov. Rick Snyder, on Oct. 29, 2013, signed a package of bills reforming parts of the state's unemployment insurance system. Snyder said that the bills would help ensure that financial assistance gets to those truly in need and improve the process to help reduce fraud.

Public Act 146 sets up a pilot program to permit employers to report to the Unemployment Insurance Agency (UIA) if a job applicant refuses or fails a drug test. The law treats a positive drug test or refusal to take a drug test without good cause as a refusal of suitable employment, which disqualifies an individual from receiving unemployment benefits. Employers are not required to report failed or refused drug tests to the UIA, but if they do report them, the applicants involved would lose their unemployment benefits. The program will sunset after one year and the Legislature can decide whether to reauthorize it.

Please contact the Service Team at (248) 276-0950 for further advice/assistance.

2014 Social Security & Medicare Taxable Wage Limits/Rates

On October 30, 2013, the Social Security Administration announced an upward cost-of-living adjustment for the Social Security taxable wage limit. For calendar year 2014, the amount of earnings taxable for Social Security (Old Age, Survivors and Disability Insurance, or "**OASDI**") will also increase from **$113,700** to *$117,000*. The employee and employer tax rate will remain unchanged at 6.2%. With this increase in taxable wages, the maximum Social Security tax payable by an employee will be $7,254.00, an increase of **$204.60** (per person) from the current maximum tax of $7,049.40. Employers will match the employee's tax.

In 1993, the Omnibus Budget Reconciliation Act removed the taxable wage limit for the Medicare tax beginning in 1994 and years thereafter. Therefore, there is no maximum employee or employer contribution amount for Medicare tax for 2014. All covered wages will be subject to **Medicare** tax at a rate of **1.45%**. Employers will match the employee's tax.

Depending on the amount of taxable wages, the combined Social Security and Medicare employee tax rate will range from 7.65% (6.20% + 1.45%) to 8.55% (6.2% + 1.45% + 0.9% on Medicare wages in excess of $200,000 if the employee is a high-income earner). **The combined employer rate will remain 7.65%.**

As of January 2013, individuals with **earned income** of more than $200,000 ($250,000 for married couples filing jointly, $125,000 for married couples filing separately, and $200,000 for filing single) pay an additional 0.9% in Medicare taxes. For withholding tax purposes, covered wages in excess of $200,000 will be taxed at a rate of 2.35% (1.45% + 0.9%), regardless of filing status. The Additional Medicare Tax is not matched by employers.

Please contact the Payroll Team at (248) 276-0950 for further advice/assistance.

Misconceptions about Affordable Care Act (ACA) Compliance Persist Among Midsized Businesses

As the economic recovery limps along, complicated by ongoing political and regulatory uncertainties, U.S. businesses of all sizes are still struggling to build a secure foundation for growth and expansion. But midsized businesses, which typically have neither the agility of a small company nor the resources of a large enterprise, may be especially vulnerable in such a tumultuous business climate.

When it comes to compliance there appears to be a misalignment between midsized business leaders' perceptions and experiences.

According to a ADP Research Institute® report ("Top Concerns and Challenges of Midsized Business Leaders in 2013"), the vast majority (83%) of survey respondents express confidence that their organization is compliant with payroll tax laws and other government regulations, but for many, this confidence is not reflected in actual experience.

Almost one-third of all respondents report incurring unintended expenses, such as fines, penalties or lawsuits, resulting from noncompliance with federal, state or local regulations over the past 12 months.

In addition, those midsized firms that were fined or penalized reported an average of six fines or penalties per year.

These results suggest that all midsized businesses need to pay close attention to compliance as laws and regulations continue to evolve and multiply.

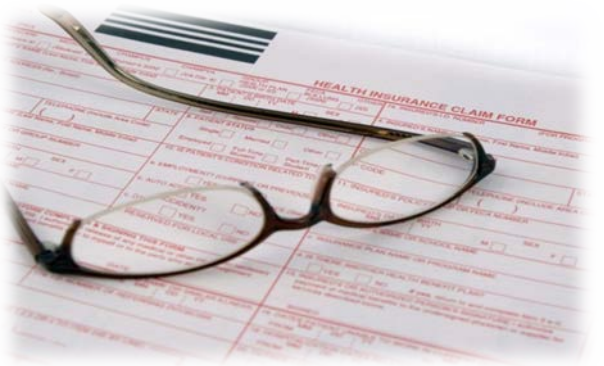
Please contact the Benefits Team at (248) 276-0950 for further advice/assistance.

IRS Modified FSAs "Use-It-or-Lose It" Rule

A Flexible Spending Account (FSA) may include this carryover feature only if the plan does not have a grace period. To take advantage of the FSA carryover feature, the plan must be amended to eliminate any grace period. A plan may continue to have a "run-out" period in which a participant may file claims for medical expenses incurred during the plan year.

Carryover amounts do not affect the $2,500 annual limit on salary reduction contributions to an FSA.

For 2013, there is a special transition rule which permits a carryover from the 2013 plan year to the 2014 plan year, provided the plan is amended to reflect the change no later than the last day of the 2014 plan year. Summary Plan Descriptions (SPDs) and other participant communications will also need to be updated.



IRS & DOL Release Guidance on HRAs

On September 13, 2013, the Internal Revenue Service (IRS) (Notice 2013-54) and the U.S. Department of Labor (DOL) (Technical Release 2013-03) released substantially identical guidance addressing the application of annual limits and preventive care to health reimbursement arrangements (HRAs) and arrangements that reimburse employees for premiums for individual health insurance coverage, referred to as "employer payment plans" (EPPs) under the Affordable Care Act (ACA). This guidance is generally effective for plan years beginning in 2014.

Guidance on HRAs and EPPs

The combined guidance significantly impacts employers offering HRAs to active employees that are not integrated with group health plans, as well as employers that were contemplating using a so-called "defined contribution" approach to health insurance, once insurance products on the Marketplaces (aka "Exchanges") become available in 2014.

Employers considering a "defined contribution" approach contemplated providing their employees a tax-free pool of funds to use for the purchase of individual health insurance policies in the Marketplace or directly from a carrier. This strategy, however, is essentially prohibited by this latest guidance.

It appears that employers will be prohibited from reimbursing employees for the cost of their individual health insurance policies on a nontaxable basis, regardless of whether the coverage is purchased through a Marketplace or directly from a carrier. Even if the HRA does not reimburse individual insurance premiums, it must be integrated with a group health plan, as stand-alone HRAs will violate the ACA's preventive care rules. The agencies intend to issue transition relief with respect to amounts credited to stand-alone HRAs before December 31, 2013. The agencies note that acceleration of HRA contributions will not be permitted under the transition relief.