



## Key Topics:

- **IRS Increases Maximum 401(k) Contribution**
- **New MI Tax on Health Claims**
- **MAPSA Conference Reminder**
- **Flu Season**
- **Job Verification & References**
- **Pension Withholding in 2012**

### IRS Increases Maximum 401(k) Contribution

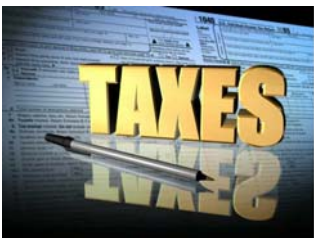
Increasingly, retirement savings plans have become the way American workers accumulate the money they will need to supplement their Social Security payments in retirement. The most common retirement savings plan is the 401(k). These are offered by employers, but it is the employee's choice to participate and decide how much to contribute. Many employers also contribute or offer a match, but are not required to do so. In 2010, the Employee Benefit Research Institute showed that only 43% of workers in the private sector, aged 21-64, made contributions to 401(k) plans.



The I.R.S. is increasing the maximum contribution that workers can pay into their 401(k) pension plans for 2012: the limit will rise from \$16,500 to \$17,000. Companies that set up 401(k) plans for their employees are free to limit maximum contributions at levels below the legal ceiling. In addition, employees aged 50 years and older may contribute an additional "catch-up" \$5,500 annually, on top of the \$17,000 limit, with a \$22,500 maximum for next year. The employers who choose to contribute to employees' 401(k) plans will have an increase in this maximum, from \$32,500 to \$33,000/year, bringing the total annual contribution maximum to employee 401(k)'s up to \$50,000. This figure does not include the "catch-up" contribution allowable for workers over age 50.

### New Michigan Tax on Health Insurance Claims

On Sept. 20, 2011, Governor Rick Snyder signed a bill into law that approved a new 1% tax on certain Michigan health insurance claims that insurance providers will pay, beginning Jan. 1, 2012. This tax will replace the current 6% use tax applied to Medicaid managed care plan services and will be used to support Michigan's Medicaid program. It ensures that MI continues to receive funds from the federal government for its Medicaid program. The tax applies to self-funded health care plans and health insurance carriers operating in MI, including BCBS and Blue Care Network.



The tax has an annual limit of \$10,000 per insured individual, and applies strictly to Michigan residents for services received in Michigan. It also includes Medicare supplemental, prescription drug, vision, and dental claims. According to the law, there are some claims that will be exempt. Here are a few examples of exemptions:

- Services for MI residents received outside of the state
- Cost-sharing requirements (deductibles, copays, and coinsurance)
- Reimbursements from a flexible spending or health savings account, etc.
- Workers' compensation and long-term care claims
- Claims paid under a federal employee or veterans health benefit program

We will keep you informed as more information becomes available.

### Charter Schools – MAPSA Conference on November 7 & 8 at Cobo Hall in Detroit

Please stop by to see us in Booth #133 and enter a raffle to win a \$100 VISA card!

### Detroit Public Schools

On Count Day, the DPS district exceeded its targeted fall enrollment by 137 students. Enrollment figures are based on the number of fulltime students at the end of the state's 10-day counting period. DPS do not count the 3,000 students in pre-K programs or the approximately 4,000 in district-authorized charter schools. Enrollment in the DPS has been dropping rapidly from 104,000 in 2007 to 65,971 in 2011.

**Flu Season**

The flu season and prime time for flu vaccinations is now upon us. This fall, there are 3 options for receiving the flu vaccine: (1) the intramuscular shot, for ages 6 mos. and older; (2) the nasal spray for ages 2-49 years; and (3) an intradermal injection which only penetrates the upper layers of skin, approved for ages 18-64 years. The Center for Disease Control (CDC) recommends that people get their flu vaccine as soon as it is available in their community. Vaccination before December is best, since this timing ensures that protective antibodies are in place before flu activity is at its highest.



**Job Verification and Job References**

Here is a Q & A from the HR Specialist on a topic many employers face:

**Q:** A prospective employer asked for job verification on an ex-employee who had been fired. Can information be released regarding the ex-employee's history with this past employer?

**A:** The answer is "NO." Don't even think about providing a negative job reference before an attorney reviews the release. In recent years, courts have become more tolerant of defamation claims based on job references. From a liability perspective, your safest bet would be to provide nothing more than verification of the former employee's job, title, and dates of employment.

**Pension Withholding Requirements for 2012**

The State of Michigan is implementing withholding taxes on pension distributions, effective January 1, 2012. The new law stipulates that any recipient born before 1946 may subtract up to \$45,842 if single or married filing separate, or \$91,684 if married filing a joint return. Recipients born between 1946 and 1952 will be able to deduct \$20,000 in pension and retirement benefits if single or married filing separate, and \$40,000 if married filing a joint return. For recipients born after 1952, all pension and retirement benefits are taxable. All pensioners will be required to complete a MI W-4P, which Employees Only will provide. We will also make sure that clients are in compliance with the new withholding requirements for 2012.



**HAPPY HALLOWEEN**



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*Quotes: It is amazing what you can accomplish if you do not care who gets the credit. ~ Harry Truman  
You can do anything, but not everything. ~ David Allen*

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**Your Client Advocate at Employees Only is ready to help manage Renewal Options and Open Enrollment for your Employees 2012 Benefit Plan Choices!**

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