



Key Topics in This Issue:

- Payroll Tax Cut and Credit Proposal
- COBRA Coverage Extension
- Upcoming Compliance Dates & Tax Information

Employer Payroll Tax Cut and Credit Incentive- Economic Stimulus Proposal

A **3.1% reduction in Social Security tax for employers on the first \$5 M of wages paid** and a **full employer Social Security tax credit for increasing wages** year-to-year are among the key provisions of a proposal by President Obama to create more jobs and stimulate the economy. This proposal, presented to Congress as the American Jobs Act on September 12th, also calls for a further reduction in the employee portion of Social Security to 3.1%, an extension of unemployment insurance, and tax credits for hiring long-term unemployed workers, including injured veterans.



- Temporary Tax Credit for Increased Payroll: For the 4th quarter of 2011 and all of 2012, the proposal includes a payroll tax credit that fully offsets the employer Social Security tax that applies to increases in wages from the corresponding period of the prior year. For example, if an employer paid Social Security taxable wages of \$5 M in 2011 and \$6 Mil in 2012, the company would be entitled to a credit toward its portion of Social Security taxes due for the \$1 M wages increase, or \$62,000. The maximum increase in wages eligible for applying this credit is \$50 M. The credit would generally apply to all employers except federal, state, and local government employers, except state colleges, universities, or employers of household workers.

- Further Reduction in Employee Social Security Rate: For 2012, the proposal further reduces the Social Security portion of the payroll tax paid by employees to 3.1%. Employers are now withholding 4.2% from employee pay, reflecting the existing temporary reduction from the permanent 6.2% rate that was enacted in 2010.

- Incentives for Hiring: The goal for cutting the payroll tax to 3.1% for employers on the first \$5M in payroll is to aid small businesses and encourage new hires.

- Emergency Unemployment Extensions: The proposal also extends the emergency unemployment compensation program by one year to Jan. 3, 2013, allowing workers to enter the program after exhausting regular unemployment compensation payments. It would also extend the transition period so individuals could continue to receive amounts remaining in their emergency compensation accounts until June 8, 2013.



COBRA Coverage – Premium Subsidy

Although the COBRA premium assistance program ended Aug. 31st, 2011, terminated employees who delayed the start of COBRA coverage still may qualify for the subsidy from former employers. Individuals who qualified by May 31, 2010, may continue to pay reduced premiums for up to 15 months if they are not eligible for another group health plan or Medicare, even if COBRA coverage was delayed. More detailed information is available through the Labor Department under [The American Recovery and Reinvestment Act of 2009 \(Pub. L. 111-5\)](#) which allows eligible beneficiaries who were involuntarily terminated from their jobs to extend their health insurance coverage and continue to pay reduced premiums.



Upcoming Compliance Dates & Tax Information:

- **October 15, 2011**—Under the Affordable Care Act (ACA), the annual enrollment period for Medicare Part D, the retiree drug benefit, will start one month earlier than in the past. Effective this fall, the 2012 enrollment period opens October 15, 2011, instead of November 15. As a result, plan sponsors must now prepare and provide Notices of Credible Coverage earlier, before October 15. For more information, read: [Part D Credible Coverage Notices Now Due by October 15, instead of November 15, 2011.](#)
- **November 14, 2011**—The National Labor Relations Board (NLRB) issued a Final Rule that will require employers to notify employees of their rights under the National Labor Relations Act (NLRA) starting November 14, 2011. For more information, read [NLRA Rights Poster Now Available](#) through your Employees Only Client Advocate.
- **2011 FUTA Taxes Expected to Rise for Employers in 27 States** where outstanding federal loan balances are not paid in full by Nov. 10. Employers normally can take a 5.4% credit off the FUTA rate for amounts paid in state unemployment contributions. Michigan expects to be a credit reduction state in 2011 for the 3rd consecutive year, subjecting its employers to a higher FUTA rate. The credit for Michigan is 4.5%, which is \$63 per employee. However, with the FUTA lowered to 6% from 6.2%, the net cost to employers is \$49 per employee, or a tax savings of \$14 per worker. MI employers will be subject to the higher tax rate of 0.9%. Please refer to the [Unemployment Insurance Agency of the Department of Licensing & Regulatory Affairs' Fact Sheet No. 139, Aug. 2011](#) for complete information.

Quotes for Thought:

In commemoration of **Steven Jobs**, founder and visionary for Apple Computers, iPhones, iPods, and iPads, who lost his battle with pancreatic cancer early this week, here are some quotes from this creative mastermind. His first and most famous quote, speaks to employees and employers:



“Stay Hungry. Stay Foolish.”

“Design is the fundamental soul of a human-made creation that ends up expressing itself in successive outer layers of the product or service.”

“These technologies can make life easier, can let us touch people we might not otherwise – they can profoundly influence life.”

“Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma — which is living with the results of other people's thinking. Don't let the noise of other's opinions drown out your own inner voice.

“Most important, have the courage to follow your heart and intuition. They somehow already know what you truly want to become. Everything else is secondary.”

US President Barack Obama may have put it best. *“The world has lost a visionary. And there may be no greater tribute to Steve's success than the fact that much of the world learned of his passing on a device he invented.”*



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