



West Valley Chapter

The Scoop

Tax Update

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SUTA DUMPING PREVENTION ACT PASSES

H.R. 3463 ON ROAD TO WHITE HOUSE

On July 22, 2004, the Senate passed H.R. 3463, the **SUTA Dumping Prevention Act of 2003**, by unanimous consent. The measure had previously been unanimously approved by the House of Representatives the week before. President Bush is expected to sign the bill.

H.R. 3463 has two principal elements:

- It requires that all state unemployment compensation laws be amended to include provisions to prevent "SUTA Dumping" as defined in the legislation. "SUTA Dumping" involves the manipulation of unemployment tax experience transfer provisions that allow an employer to escape paying higher unemployment taxes.

- It expands state unemployment agency access to employer new hire information to prevent overpayments of unemployment insurance benefits.

The specific "SUTA Dumping" requirements that each state must conform to include:

- Transfers of experience between companies having common ownership must be required.
- Transfers of experience to a new company, whose main purpose is to obtain a lower rate of contributions, will be prohibited.
- The US Department of Labor will have the authority to develop regulations to prevent additional SUTA Dumping related abuses.
- States will be required to pass conforming legislation within 2 years. Failure to pass such legislation could affect funding of administrative funding for state unemployment agencies.
- State unemployment compensation laws must contain civil and criminal penalties for companies and consultants engaged in SUTA Dumping schemes.

H.R. 3463 also requires the Secretary of Labor to assess state progress and report back to Congress by July 15, 2006.

House Votes to Allow Carryover of Unused FLS Funds

On June 22, the U.S. House of Representatives approved H.R. 4372, known as the "Working Families Assistance Act of 2004", by voice vote. The bill would modify the rules applicable to cafeteria plans to allow up to \$500 of unused benefits in dependent care flexible spending arrangements to be carried forward to the next dependent care FSA plan year. According to Rep. Mark Kennedy (R-Minn.), the bill's co-sponsor, the change would "give parents a safety net as they try to predict their family's dependent care costs."

The house recently passed a similar bill applicable to health FSAs. The Senate has not yet considered either proposal.

Penalties for Mismatched names and Social Security numbers



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IRS CONFIRMS INTENT TO FOCUS ON EMPLOYERS WITH MOST 'EGREGIOUS MISMATCH RATES'

Confirming what BNA reported May 5, the Internal Revenue Service told the American Payroll Association that "in lieu of a systemic penalty program", the agency will continue to target "those employers with the most egregious mismatch rates." The remarks were contained in a letter to APA from IRS.

IRS is on record stating that Forms W-2 with mismatched name and Social Security numbers may be penalized \$50 each.

IRS also announced in the letter that it is updating Publication 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs, according to APA.

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News from other states



Idaho

Form 958, the Idaho Income Tax Withholding Return, has been eliminated. Monthly, split-monthly, and quarterly filers are no longer required to file Form 958. Those filers now make income tax payments based on their filing cycle, and reconcile the payments on Form 956, at the end of the year. This can be done on line at www.tax.idaho.gov.

Pennsylvania

As a result of recent economic challenges, an increase in SUI tax rates has been mandated effective January 1, 2005. Also, UC benefits will be reduced by 2.3% for laid-off workers.

