



**West Valley Chapter**

# **The Scoop**

## **Tax Update**

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### **New Form 941**

### **Newly Redesigned Form 941 on IRS Web Site**

The newly redesigned Form 941, Employer's Quarterly Federal Tax Return, which must be filed by April 30, 2005 for the first quarter of 2005, is now available.

The IRS says that the new form and instructions are easier to read and fill out. In addition, the IRS can optically scan the form and capture data more accurately and efficiently than under the old design. There is a new schedule for reporting discrepancies between Form 941 and Forms W-2 (Schedule D) that were caused by acquisitions, statutory mergers, or consolidations.

"Where we can, the IRS wants to simplify its forms," said IRS Commissioner Mark W. Everson. "The new Form 941 will help achieve that."

The IRS said that its Office of Taxpayer Burden Reduction led a team in the redesign and gathered feedback from external stakeholders from the payroll community. "The new 941 is much easier on the eye and much more user-friendly," Scott Mezistrano, the American Payroll Association's senior manager of government relations, said in the IRS press release. "With the shading, bigger boxes and improved instructions right on the form, you know exactly what you are supposed to report and where to put it. IRS did a very thorough job of reviewing every line on the 941 and considering how it could be made more clear."

### **Administration Proposals**

### **Bush's Budget and Its Impact on Payroll Taxes**

President Bush's budget proposal contains several provisions with payroll tax ramifications. Some of the more important provisions are summarized below.

- Employer-provided computers. Under current law, the value of computers, software, and other office equipment provided by an employer to an employee for use at the employee's home is generally excludable from income to the extent that the employee uses the

equipment to perform work for the employer, and includable in income to the extent that the employee uses the equipment for personal purposes or to carry on a trade or business other than working as an employee of the employer.

- The Bush proposal would allow individuals to exclude the above items from income if the equipment is necessary for the individual to perform work for the employer at home. The employee would be required to make *substantial business use* of the equipment to perform work for the employer. *Substantial business use* would include standby use for periods when work from home may be required by the employer, such as during work closures caused by the threat of terrorism, inclement weather, or natural disasters. The exclusion would apply to all use of such equipment, including use by the employee for personal purposes or to carry on a trade or business other than working as an employee of the employer. The proposal would be effective for taxable years beginning after Dec. 31, 2005.
- National Directory of New Hires. The Office of Child Support Enforcement of the Department of Health and Human Services maintains the National Directory of New Hires which is a database that contains (1) newly hired employee data from Form W-4, (2) quarterly wage data from state and federal employment security agencies, and (3) unemployment benefit data from state unemployment insurance agencies. The NDNH was created to help state child support enforcement agencies enforce obligations of parents across state lines. Under current provisions of the Social Security Act, the IRS may obtain data from the NDNH, but only for the purpose of administering the Earned Income Tax Credit and verifying a taxpayer's employment that is reported on a tax return.
- The Bush proposal would amend the Social Security Act to allow the IRS access to NDNH data for general tax administration purposes, including data matching, verification of taxpayer claims during return processing, preparation of substitute returns for noncompliant taxpayers, and identification of levy sources. Data obtained by the IRS from the NDNH would be protected by existing taxpayer privacy law, including civil and criminal sanctions. The proposal would be effective upon enactment.

## **Retirement Savings Accounts**

Effective January 1, 2006, the administration proposes to consolidate the three types of current law individual retirement accounts (IRAs) into a single account to be known as a Retirement Savings Account (RSA). The new RSAs would be dedicated solely to retirement savings; other withdrawals would be subject to tax and penalty provisions. Current law retirement IRAs (traditional, nondeductible, Roth) could be converted to RSAs under transition rules.

# News from other states



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## Minnesota

Effective with the second quarter 2005 wage detail report (due in July 2005), all unemployment insurance (UI) tax and wage reporting must be completed and submitted online. The new self-service system will be available July 2005 from the Department of Employment and Economic Development. Although the current state-provided software will be discontinued, a formatted template will be made available (at [www.uimn.org](http://www.uimn.org)) by 3-1-05. Beginning in June 2005, the e-File option through the Department of Revenue Web site will no longer be available for UI filing.

Effective with the second quarter 2005, submitting reports on diskettes, CDs, tape cartridges, or paper is no longer acceptable. The following online filing methods are acceptable: (1) FTPS – for employers reporting 500 or more employees; (2) file upload – attach electronic wage file; (3) copy from previous quarter – modify data from previous quarter online; and (4) manual entry – enter individual wage records manually online. Timeliness of reports and payments will be determined by the date the report or payment is received and accepted. Employers reporting 500 or more employees and all agents paying on behalf of their clients must submit payments electronically using either ACH credit or ACH debit.

## Ohio

Effective 5-16-05, an employer that willfully fails to comply with a child support withholding notice, or has failed to comply three times within 12 consecutive months, may be subject to a court order requiring: (1) payment of support by electronic funds transfer (EFT) from the employer's bank account; and/or (2) a civil penalty, in addition to any other penalty permitted by law, of up to 50% of the amount not withheld from the employee's income or not timely forwarded to the Office of Child Support in accordance with the withholding notice.

