

Reporter

*A Newsletter for Employers**Spring 1997*

Social Security Leads the Nation's Computers into 21st Century

Computers may not be as smart as you think they are. They use and store dates in a 2-digit format, and when the century changes, will assume that 00 means the year 1900 instead of 2000. Although the system will appear to be normal, any numbers based on dates will be incorrect. For example, subtracting December 31, 1995 from December 31, 2005 to determine someone's age would produce the incorrect answer of minus 90 instead of the correct answer of 10.

The 2-digit format is an old industry standard and was used because computer pioneers did not know they would last until the century changed. Also, in earlier years, computer storage space was too precious to devote four digits to designate the year. Before that, when computer cards were used, only one digit could be spared to designate the year.

Social Security depends heavily on computer operations. Over 30 million lines of software now in use are date-sensitive. In addition, many forms are printed with dates. Social Security began working to convert its computers in 1989 to process dates using four digits which will solve the problem. It expects to have its computers converted to the four-digit standard by 1998. Because of its expertise, the President asked the Social Security Administration to lead government agencies in identifying strategies to deal with the year 2000 computer systems issue that will affect federal agencies and the private sector.

The turn of the century poses an enormous challenge for the data processing community in every federal, state, local, public and private sector business and organization around the world. Unfortunately, there is no universal quick-fix that will solve everyone's problems. The code in every computer system will have to be converted line-by-line. This is very labor-intensive, and very costly.

While each organization must find solutions that meet its unique needs, Social Security leads discussions on cross-cutting aspects of the problem. These include inter-agency data exchanges and the availability of a wide range of vendor products. — SSA

941 ELF Program Confused with EFTPS

Taxpayers who were notified to pay their federal employment tax deposits electronically are required to use the Electronic Federal Tax Payment System (EFTPS). (See article on Page 3.) These taxpayers may also, if they wish, participate in the 941 ELF program, which allows them to file their Form 941, "Employers's Quarterly Federal Tax Return," electronically. Participation in the 941 ELF Program is voluntary and not dependent on being required to use EFTPS.

— IRS

941 TeleFile: File Your Form 941 by Phone

Beginning April 1, 1997, small businesses that meet certain qualifications will be invited to participate in a pilot program that will allow Form 941 returns to be filed over the telephone using a toll-free number. A voice processing system prompts users to make the necessary entries and repeats each entry so that mistakes can be corrected immediately. TeleFile provides a confirmation number to the caller as verification of filing.

The TeleFile system has been available to individual filers since 1992 with great success. This system is now being offered to eligible business taxpayers in the IRS' Southeast Region so that they can take advantage of the ease and convenience of filing by phone. The pilot will begin April 1, 1997, and run through February 10, 1998.

If your Form 941 tax package includes the 941 TeleFile instructions and tax record, we encourage you to use this quick, easy and convenient way to file. There is nothing to mail and the call is free. You can use the TeleFile system to file your return from any Touch-Tone phone, 24 hours a day, seven days a week. — IRS

For More Info, Check the Internet

SSA — <http://www.ssa.gov>

IRS — <http://www.irs.ustreas.gov>

U.S. Business Advisor — <http://www.business.gov>

Quick and Easy Access to Tax Help and Forms

PERSONAL COMPUTER

Why not use a personal computer and modem to get the forms and information you need?

Here is a sample of what you will find when you visit the IRS' Internet Web Site at — <http://www.irs.ustreas.gov>

- Forms and instructions
- Publications
- Educational materials
- IRS press releases and fact sheets
- TeleTax topics on about 150 tax topics
- Answers to frequently asked questions

You can also reach us using

- Telnet at [iris.irs.ustreas.gov](telnet://iris.irs.ustreas.gov)
- File Transfer Protocol at [ftp.irs.ustreas.gov](ftp://ftp.irs.ustreas.gov)
- Direct dial (by modem) — You can also dial direct to the Internal Revenue Information Services (IRIS) by calling 703-321-8020 using your modem. IRIS is an on-line information service on FedWorld. FedWorld's help desk (703-487-4608) offers technical help in accessing IRIS — not tax help — during normal business hours.

MAIL

You can order forms, instructions, and publications by completing the order blank in Publication 15 (Employer's Tax Guide) or Publication 393 (Federal Employment Tax Forms).

PHONE

You can also get information and forms by phone.

You can order forms, instructions and publications by phone. Just call 1-800-829-3676 between 7:30 a.m. and 5:30 p.m. on weekdays. The best time to call is before 9 a.m. or after 2 p.m. The best days to contact us are Thursdays and Fridays. (The hours are Pacific time in Alaska and Hawaii, Eastern time in Puerto Rico.) You should receive your order or notification of its status within 7 to 15 workdays.

FAX

We can fax you over 100 of the most requested forms and instructions. Just call 703-487-4160 from the telephone connected to your fax machine.

CD-ROM

For small businesses, return preparers, or others who may frequently need tax forms or publications, a CD-ROM containing over 2,000 products can be purchased for \$25 from the Government Printing Office (GPO), Superintendent of Documents. The disk includes current year tax materials, plus tax forms from 1991 and publications from 1994.

To order the CD-ROM, contact the Superintendent of Documents at 202-512-1800 (select option 1) or by computer through GPO's Internet Web Site at http://www.access.gpo.gov/su_docs. — IRS

You Received a Reconciliation Letter, Here's What To Do...

Each year, Social Security and the Internal Revenue Service compare wage totals reported by employers on Forms W-2/W-3 (Wage and Tax Statements and Transmittal) and Forms 941/943 (Employer's Quarterly Federal Tax Return). Employers identified during this comparison will receive a letter from IRS or SSA. Here's why the letters are sent and what to do if you receive one:

Social Security - If the amounts reported to IRS on Forms 941 exceed the amounts reported to SSA on Forms W-2/W-3, you will receive a letter from SSA. Social Security began its part of the tax year 1995 reconciliation process by mailing the majority of notices to employers in late February 1997. If you receive a reconciliation letter from Social Security, review it and compare it with your records. If there's an error, make the corrections as the letter instructs. Be sure to complete the accompanying questionnaire so your corrections can be associated with your previously submitted report. If you don't respond to the reconciliation letter, you could be assessed additional taxes and/or penalties and your employees could also lose valuable retirement or disability benefits.

IRS - IRS' reconciliation process will begin later in 1997 for tax year 1995 and will identify situations in which wages reported to SSA on Forms W-2/W-3 exceed taxes reported to IRS on Forms 941. If you receive a letter from IRS you should follow the instructions contained in the letter. Additional guidance and instructions are contained in IRS Publication 393.

Letters from both agencies contain telephone numbers that employers can use to answer specific questions about their annual wage reports. — SSA

SSA Announces New Specs for Magnetic Media and Electronic Reporting

Social Security has developed new reporting specifications for employers who file Forms W-2/W-3 with SSA, either electronically or on magnetic tape, cartridge or diskette. Referred to as the Magnetic Media Reporting and Electronic Filing Specifications, the new specs replace the existing domestic and territorial Technical Information Bulletins 4, 5, 6 and 7 with a single record format.

The business community has expressed a growing interest in electronic filing of Forms W-2/W-3 with Social Security. It is expected that the one record format will make it easier for employers to make the transition from magnetic media to electronic filing, as well as reduce the associated processing costs.

Employers will have time to convert to the new format. Printed copies of the new specs are expected to be available in July 1997. Employers can volunteer to submit their wage reports under the new format for tax year 1998 reporting. However, Social Security will not officially require employers to do so until tax year 1999 reporting, and a transition period of several years is expected.

Questions about the new format can be addressed to Ed Bulson, Social Security Administration, Room 3-B-15 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235. Employers interested in obtaining copies of the new specs should see the next edition of the **Reporter** (Summer 1997) for specific ordering instructions. — SSA

Electronic Payments Requirement Draws Near

On July 1, 1997, more than a million businesses will be required to begin paying their federal business taxes through the Electronic Federal Tax Payment System or EFTPS. EFTPS is a fast, easy and convenient way for taxpayers to initiate federal tax payments electronically with a simple telephone call or through a personal computer, eliminating paper Federal Tax Deposit coupons, checks and trips to the bank. EFTPS only changes the method of paying taxes — not the date taxes are due or the amounts owed.

Although all taxpayers may use EFTPS, employers who paid more than \$50,000 in employment tax deposits in calendar year 1995 must make all federal tax deposits through EFTPS beginning July 1, 1997, to avoid penalties under section 6656 of the Internal Revenue Code for failing to comply. If you are required to begin using the EFTPS by July 1st, your enrollment forms must be completed and sent in by May 1, 1997, to allow time for processing. Taxpayers can enroll now and begin making deposits through EFTPS right away. Early enrollment allows more time to become familiar with the system before the July 1st deadline. As of December 1996, over 700,000 taxpayers had en-

rolled in EFTPS and over \$3 billion had been processed through the EFTPS system.

A second group of taxpayers will be required to start using EFTPS by January 1, 1998. These taxpayers are employers who paid more than \$50,000 in employment tax deposits in 1996 or more than \$50,000 in non-employment tax deposits in 1995 or 1996. Enrollment notices will be mailed to these employers in the spring of 1997.

Once employers are required to make tax deposits through EFTPS, they must make all federal tax deposit payments through EFTPS.

Taxpayers already enrolled can begin using EFTPS immediately. Taxpayers not yet enrolled may obtain enrollment forms by calling 1-800-945-8400 or 1-800-555-4477. Taxpayers can begin using EFTPS as soon as they receive enrollment confirmation.

For additional information, call one of the EFTPS customer service numbers: 1-800-945-8400 or 1-800-555-4477. IRS Publication 966 also explains EFTPS and can be obtained free by calling 1-800-TAX-FORM (1-800-829-3676). EFTPS information is available on the Internal Revenue Internet site at "<http://www.irs.ustreas.gov>."

— IRS

Social Security Announces Fraud Hotline

Officials recently cut the ribbon opening the Social Security Administration's Office of Inspector General (OIG) fraud hotline. The hotline is available for live operator assistance from 10 a.m. to 4 p.m. Monday through Friday EST. The hotline telephone number is 1-800-269-0271. Recorded messages are available 24 hours a day. The Office of the Inspector General plans to hire approximately 100 new investigative agents to

work in offices around the country handling the many fraud referrals it receives.

Social Security's OIG fraud hotline is for use by employers who want to report instances of suspected fraud, waste, abuse, or mismanagement in Social Security programs. In addition, an address is available for reporting suspected fraud for employers choosing not to use the telephone hotline. The address is: Social Se

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curity Administration, Office of the Inspector General, P.O. Box 17768, Baltimore, MD 21235.

The Social Security Administration's Office of Inspector General, the Immigration and Natu-

ralization Service, and the United States Attorney General's office plan to continue cooperative investigations. The OIG also works with other federal and state law enforcement organizations. — SSA

Government Employers: Fed/State Reference Guide Available

Due to the unique nature of Social Security and Medicare (FICA) coverage and tax/withholding requirements for state and local governments, including legislation regarding mandatory coverage events, the Internal Revenue Service publishes a Federal-State Reference Guide for State and Local Government Employers, IRS Publication 963.

The Guide was developed in a cooperative effort by the Colorado State Social Security administrator, IRS, SSA and numerous other public and private organizations and individuals, and was distributed at the state and county levels in 1995. Copies may be ordered by calling 1-800-829-3676.

Because of the changes in, and uniqueness of, the reporting requirements, the IRS is striving to reach a larger audience with local outreach and education efforts. The IRS recently provided an outreach package to its local offices. IRS and SSA welcome the assistance of any public employers in-

terested in this effort. Additionally, at some time in the near future, state Social Security administrators may be asked to assist with this venture in their localities.

General Rule for Social Security and Medicare Coverage for Public Employees:

- State and local government employers may extend Social Security and Medicare coverage to their employees through voluntary agreements with the Social Security Administration.
- Effective for services performed after July 1, 1991, state and local government employees who are not covered under a section 218 agreement or by a public employer retirement system are covered by mandatory Social Security and Medicare.
- State and local government employees who are not covered by Social Security and who are hired after March 31, 1986, are subject to mandatory Medicare coverage. — IRS

REMEMBER:

If You Are Paying by Check,
Use Your Payment Vouchers.

Put More Money in Your Employees' Paychecks!

Are your employees a little short between paydays? Here's how you can help. You can add up to \$108 a month to your employees' paychecks, with no cost to you, by having the advance earned income tax credit (AEITC) paid to them "in advance."

That's right. Beginning in April 1997, some 7.5 million employees will receive a notice from the Internal Revenue Service telling them about the advance payment feature of the earned income tax credit (EITC). IRS will send Publication 1235, which contains a copy of Form W-5, "Earned Income Credit Advance Payment Certificate," to many employees who may qualify for the advance payment.

Employees who qualify for the EITC and who want to get advance payments for it should fill out the Form W-5 and return it to their employer. The employer then adds an amount to the employees' net pay, based on their income. This additional pay comes out of the amount of federal income, Social Security and Medicare taxes that employers normally withhold or pay on behalf of the employee.

Further instructions and information about the advance earned income tax credit are available in Publication 15, *Circular E, Employer's Tax Guide*. Copies of Publication 15 and Form W-5 may be downloaded from the Internet, or they can be ordered by calling 1-800-829-3676.

Internet access is available through the World Wide Web at <http://www.irs.ustreas.gov>; through file transfer protocol at <ftp.irs.ustreas.gov>; and through Telnet at <iris.irs.ustreas.gov>. In addition, forms are available via modem at 703-321-8020 and fax at 703-487-4160. The modem and fax numbers are not toll free. — IRS

