

2015 EDITION

**THE ULTIMATE  
END OF YEAR GUIDE:  
COMPLIANCE AND  
BENEFITS**



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# 01

## Introduction

The end of year can be a very stressful time for you and your business. We feel your pain. We understand your frustrations. And we know how taxing — well, hopefully not too taxing!— this time of year can be. That's why, as your business advisor, we wanted to help take some of the anxiety away by providing a helpful guide for how to get your compliance and benefits ready for the end of year.

We broke this guide down into two simple sections. Each section includes detailed to-dos, best practices and common areas of concern. We also provide a short, printable checklist in each section so you can quickly stay on top of things. With this guide, we hope to help you navigate the ins and outs of getting your compliance and benefits ready for end of year.

# THE QUICK CHECKLIST

## GETTING YOUR COMPLIANCE READY FOR END OF YEAR

IF YOU DECIDE TO GET A NEW WORKERS' COMPENSATION POLICY, BE PREPARED TO KNOW

- Current carrier and policy expiration date
- How often you pay
- Industry classification
- Any previous workers' comp claims
- Basic information about owner (including ownership percentage)
- Classification of employees by job types
- Years of experience

## GETTING YOUR BENEFITS READY FOR END OF YEAR

VERIFY EMPLOYEE BENEFIT INFORMATION

- Distribute the Health Insurance Marketplace notice to employees
- Notify employees of health insurance options within 90 days of eligibility
- Confirm retirement plan eligibility
- Confirm health benefits (and imputed wages)
- Confirm fringe benefits
- Review sick time
- Review vacation time
- Review deferred compensation
- Make sure health insurance requirements are up to date

## 2015 NUMBERS

34 percent

of the federal government's revenue came from payroll taxes.

32.5 million

dollars in debt claimed by rapper 50 Cent when he filed for bankruptcy.

150 million

dollars (or about half) of boxer Floyd Mayweather Jr.'s salary in 2015 went to taxes.

31.05 billion

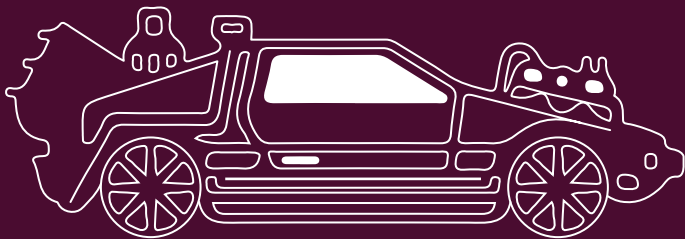
dollars in taxes paid by ExxonMobil, the most of any company in the U.S.

1.4 billion

insurance claims filed with employer-based health plans that the Department of Labor oversees.

1985 TO 2015

# How life from “Back to the Future II” stacks up



The 1980s Hollywood hit *Back to the Future II* became reality in 2015. A lot has changed since our favorite time-traveling duo, Marty McFly and Emmett “Doc” Brown, piloted their DeLorean some 30 years forward. What better time than now — the future! — to explore the differences between the past and present.

**Federal minimum wage:**

1985: \$3.35 per hour  
2015: \$7.25

**Average wage:**

1985: \$16,000 per year  
2015: \$47,000 per year

**Unemployment rate:**

1985: 7.3%  
2015: 5.1%

**Top rate on regular  
income tax:**

1985: 50%  
2015: 39.6%

**Total spending on  
health care:**

1985: \$376.9 billion  
2015: \$3.1 trillion

# 02

## Getting your compliance ready for end of year

The end of year is a great time to evaluate your workers' comp policy and ask questions. Has your company grown, downsized or stayed the same? Depending on the trend, decide whether your policy still fits the scope of your business.

## **1. ESTIMATE WORKERS' COMPENSATION COVERAGE**

Traditionally, employers pay an upfront deposit and then subsequent installments based on the estimated payroll for that year. Every 12 months the employer goes through an audit process with the carrier to ensure that the amounts paid matches the actual payroll amount run during that time.

In the future, you might want to use a pay-as-go method for your premiums, which we can help you set up. This policy type makes sure you pay premium amounts throughout the year that reflect actual payrolls run. This helps you avoid audits, fees and overpaying.

## **2. GET A COMPETITIVE QUOTE**

If you're getting a new quote, make sure it's a competitive one. We can help you look at multiple carriers for you and provide you with the best policy at the best price.

## **3. KNOW WHAT INFORMATION YOU MAY NEED TO PROVIDE**

Workers' comp laws are different for each state. If you're looking for a new policy, be prepared to provide all the accurate information that allows the insurance carrier to evaluate how your business operates. That includes your current insurance carrier, the policy's expiration date, how often you pay (annually, quarterly, every payroll run, etc.) and the desired start date of your new policy.

You also should be prepared to provide information about your business and employees, including industry

classification, job descriptions, years of experience, ownership percentage and any previous claims. Costs can vary depending on your business and the specific jobs of your employees.

# CHECKLIST ONE

## THE CHECKLIST FOR GETTING YOUR COMPLIANCE READY FOR END OF YEAR

### EVALUATE CURRENT POLICY

- Review and understand your policy declaration page
- Decide whether to renew or change policy

### ESTIMATE COVERAGE

- Compare actual payroll vs. original payroll estimate
- Prepare to possibly owe money or receive a credit

### IF YOU DECIDE TO GET A NEW POLICY, BE PREPARED TO PROVIDE

- Current carrier and policy expiration date
- How often you pay
- Industry classification
- Any previous workers' comp claims
- Basic information about owner (including ownership percentage)
- Classification of employees by job types
- Years of experience



### Did You Know?

If an employee is injured on the job, they're entitled to compensation for the damage and future lost wages. But depending on the injury and policy, the amount each state will pay out can vary dramatically. Nevada will pay out a maximum of \$859,634 for an arm injury, while Alabama will only pay a maximum of \$48,840. An injured foot? Maryland maxes out at \$251,802, and Minnesota is just \$26,000, according to ProPublica's [database](#).



# 03

## Getting your benefits ready for end of year

On March 23, 2010, President Barack Obama signed the Patient Protection and Affordable Care Act, requiring all U.S. citizens and legal residents to have health insurance. The law, often referred to as “Obamacare” or “ACA,” states that companies with 50 or more full-time equivalent employees have to provide health insurance to at least 95 percent of their full-time employees and dependents up to age 26 — or pay fines. Employers with fewer than 50 workers are exempt from the mandate but are eligible for tax credits if they provide coverage. Here is a checklist to help your business meet the healthcare requirements.

## 1. CALCULATE NUMBER OF FULL-TIME EMPLOYEES

The time to notify your eligible employees has arrived. The government defines full-time employees as those who work at least 30 hours per week or whose service hours equal at least 130 hours a month for more than 120 days a year. These employees, along with an accumulation of part-time employees, equal full-time equivalents. Find out exactly how many full-time equivalent employees you have with the [FTE Calculator](#).

Every employer has to give the Health Insurance Marketplace notice to employees. This lets employees know whether you offer health insurance and that the marketplace is available to them. The Department of Labor provides [model notices](#) to give to your employees.

## 2. NOTIFY EMPLOYEES

There is a [90-day maximum waiting period](#) to notify full-time employees of health insurance options. This applies to new hires and employees who are eligible for health coverage for the first time, such as part-time workers who become full-time.

If you have more than 50 employees, you must monitor employees whose hours change. These employees, called Variable Hour Employees (VHEs), have hours that can't be determined when they're hired. In general, they must be offered health insurance if they average more than 30 hours per week. The IRS provides [guidelines](#) on defining VHEs and when coverage must be provided.

## 3. MAKE SURE COVERAGE MEETS STANDARD FOR ESSENTIAL BENEFITS

The ACA sets standards that all small group and individual health insurance plans must meet, including a set of [essential benefits](#) that need to be covered. While these benefits vary from state to state and plan to plan, don't sweat all the details.

If your plan began before 2010, you should contact your carrier to make sure it meets ACA requirements. If your plan was established after 2010, it likely meets all the requirements, but it never hurts to double-check with your carrier.

## 4. SEE IF YOU QUALIFY FOR TAX CREDITS

If you have fewer than 50 employees and are providing coverage, check to see if you're eligible for credits with the [tax credit estimator](#). To qualify, you must provide benefits through the [SHOP Marketplace](#), among other things.

## 5. CHECK PAYROLL

A payroll provider like Gusto should have withheld taxes for your employees throughout the year. However, there are a few common areas to watch for if you're worried about end of year accounting. We've covered this in the prior section but they include withholding taxes for fringe benefits, deferred compensation, and end of year bonuses.

## 6. REPORT COVERAGE TO THE IRS

If you have more than 50 employees, you are required

to file forms [1094-C](#) and [1095-C](#) to the IRS. If you have fewer than 50 employees and provide coverage for your team, you need to file forms [1094-B](#) and [1095-B](#). Check the [IRS requirements](#) for more specifics about the forms, including dates and deadlines for your business.

# CHECKLIST TWO

## THE CHECKLIST FOR GETTING YOUR BENEFITS READY FOR END OF YEAR

### CALCULATE NUMBER OF EMPLOYEES

- Determine amount of full-time equivalent employees
- Account for employees whose hours vary

### NOTIFY EMPLOYEES

- Distribute the Health Insurance Marketplace notice to employees
- Notify employees of health insurance options within 90 days of eligibility

### CHECK COVERAGE

- Make sure coverage meets standard for essential benefits
- Make sure requirements are up to date
- Confirm retirement plan eligibility

- Confirm health benefits (and imputed wages)
- Confirm fringe benefits
- Review sick time
- Review vacation time
- Review deferred compensation

### PREPARE PAPERWORK

- See if you qualify for tax credits
- Prepare forms 1094 and 1095 to file to the IRS (if more than 50 full-time equivalent employees)



## Health Care Trivia

Medical procedures can get expensive. Really expensive. Of course, that's why we have health insurance. Outside of those premiums and deductibles, ever wonder how much some procedures really cost? The answers might surprise you.

### Heart transplant

- a. \$100,000
- b. \$250,000
- c. \$500,000
- d. \$1,000,000

### Liver transplant

- a. \$100,000
- b. \$250,000
- c. \$500,000
- d. \$1,000,000

### Bone marrow transplant

- a. \$250,000
- b. \$450,000
- c. \$650,000
- d. \$750,000

### Lung transplant

- a. \$100,000
- b. \$250,000
- c. \$500,000
- d. \$1,000,000

### Intestine transplant

- a. \$1,000,000
- b. \$1,200,000
- c. \$1,400,000
- d. \$1,600,000

### ANSWERS:

**D.** Heart transplants cost about \$1 million. **C.** Bone marrow transplants cost about \$650,000 **B.** Intestine transplants cost about \$1.2 million. **B.** Liver transplants cost about \$500,000 **C.** Lung transplants cost about \$500,000  
Information from [Healthcare Global](#).

# 04

## How we can help

The end of year can be stressful. With us as your business advisor, it doesn't have to be. We help make sure your end of year is a smooth and swift process. Need more help? Feel free to contact Gusto at [advisor@gusto.com](mailto:advisor@gusto.com) or 800-936-0383. Here's to a great 2016!

*This guide was produced in partnership with your business advisor and Gusto — payroll, workers' comp and benefits in one integrated service.*