

# APA Day 2: Emerging trends in payroll law

Those giant thunderstorms, which hit the East Coast Tuesday night, grounded IRS rep Anita Bartels' flight from Orlando. So Pete Isberg, VP of Government Relations at ADP, provided attendees at the American Payroll Association's Annual Congress with some insight into such hot-button issues as the ongoing saga of tax reform and the Affordable Care Act.

## **Tax reform**

Tax reform will fundamentally change payroll administration, Isberg said. The crux for Payroll is the shift to adjustments to income and adjustments to credits, from adjustments to income and adjustments to tax for personal income tax purposes. Because of this shift, employees may be seriously underwithheld, he added.

*Suggestion:* Start reaching out to employees now about adjusting their withholding for the remainder of the year.

As for the 2019 W-4, Isberg highlighted some wacky ideas the IRS floated, all in the name of making employees' withholding more accurately reflect their tax liabilities.

*Examples:* allowing employers to withhold negative amounts (essentially a credit) and allowing employees to claim fractions of withholding allowances. According to Isberg, these ideas have probably been put where they belong—in the dust bin. But you never know.

## **The ACA is alive and well**

While the individual mandate will be zeroed out beginning next Jan. 1, employer reporting is still necessary, according to Isberg, because it allows the IRS to identify individuals who do and (more importantly) don't qualify for the premium tax credit. Without employer reporting, there would be no way for the IRS to gather this information, he added.

The larger issue, he said, are penalties for filing incorrect Forms 1095.

*Main problem for employers:* Incorrect name and Social Security numbers of employees' dependents.

Employers are receiving error notices from the IRS upon filing incorrect 1095s, but it is cutting those employers a great deal of slack, he noted.

*An easy-ish solution:* The IRS should build some tools for employers, so they could verify name/SSN matches before 1095s are filed for a year. The IRS, he said, could just flip the switch and allow employers access to the AIR database; he called this the AIR test.

Since even this relatively easy solution will take some time, Isberg's advice to attendees was to never ignore an IRS notice regarding name/SSN mismatches. Then, he said, review your records to ensure that you didn't transpose any numbers. And finally, be sure to follow up with employees who have a change in marital status.