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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Compensation Planning for Small Businesses

Seventeenth Edition (May 2014)

Highlights of this Edition

The following are some of the important update features of the 2014 Edition of *Guide to Compensation Planning for Small Businesses*:

- **The Definition of Spouse after *Windsor*.** In 2013, the Supreme Court ruled in *Windsor* that the term *spouse* includes legally married same-sex spouses. This edition has been updated for this decision and for IRS guidance that explains when same-sex couples are considered legally married and thus, eligible to receive tax-free benefits.
- **HRAs and the Affordable Care Act Requirements.** Instead of offering health insurance coverage to employees, many employers have provided HRAs (i.e., stand-alone HRAs) to employees and allowed the funds to be used to pay premiums for individual health insurance policies. Beginning in 2014, employers that allow funds in an HRA to be used to purchase individual health insurance coverage may be subject to a penalty under IRC Sec. 4980D. This edition has a discussion on recently issued IRS guidance regarding HRAs and the Affordable Care Act requirements.
- **Delay of Penalties under Section 4980H.** IRC Sec. 4980H requires certain employers to offer substantially all of their employees (and their dependents) minimum essential health insurance coverage beginning in 2014. Generally, the IRS has delayed enforcement of penalties under IRC Sec. 4980H. Information on this delay has been added to this section.
- **Substantial Risk of Forfeiture.** The IRS has issued final regulations under IRC Sec. 83 that clarify when a substantial risk of forfeiture exists for Section 83 purposes. The discussions throughout this chapter have been updated for information in the final regulations.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 3 Deductibility of Compensation to Shareholder-employees	<ol style="list-style-type: none"> 1. In a recent court case, the deduction for most of a current year bonus paid to a shareholder/employee was disallowed but the deduction for underpayments in prior years was allowed by the court. Discussion of this case has been added. 2. A discussion on two cases in which S corporation distributions were determined to be salary has been added in this update. 3. This edition has been updated for the final regulations on the additional 0.9% Medicare tax and the 3.8% net investment income tax. 	<p>Section 301</p> <p>Section 305</p> <p>Sections 306 and 307</p>

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 4 Fringe Benefits	1. In 2013, the Supreme Court ruled in <i>Windsor</i> that the term <i>spouse</i> includes legally married same-sex spouses. This chapter has been updated for this decision and for IRS guidance that explains when same-sex couples are considered legally married and thus, eligible to receive tax-free benefits.	Chapter 4
	2. IRC Sec. 4980H requires certain employers to offer substantially all of their employees (and their dependents) minimum essential health insurance coverage beginning in 2014. Generally, the IRS has delayed enforcement of penalties under IRC Sec. 4980H. Information on this delay has been added to this section.	Section 403
	3. This update includes information from recently issued final regulations that clarifies which dependents must be offered coverage in order for an employer to avoid Section 4980H penalties.	Section 403
	4. Instead of offering health insurance coverage to employees, many employers have provided HRAs (i.e., stand-alone HRAs) to employees and allowed the funds to be used to pay premiums for individual health insurance policies. Beginning in 2014, employers that allow funds in an HRA to be used to purchase individual health insurance coverage may be subject to a penalty under IRC Sec. 4980D. This edition has a discussion on recently issued IRS guidance regarding HRAs and the Affordable Care Act requirements.	Section 403
	5. The IRS ruled recently on whether expenses related to a bike-share program are eligible for the transportation benefit exclusion. Information has been added to this section on this recent decision.	Section 405
	6. At the time this <i>Guide</i> was published, Congress had not enacted legislation to extend the parity between the tax-free parking and transit provisions. This section has been updated for the expiration of the parity between the exclusion amounts.	Section 405
	7. This edition includes information on an IRS notice that allows participants to carry over up to \$500 in unused health FSA funds from one year to the next.	Section 410
	8. Self-employed individuals, including partners and members of LLCs electing partnership status, have been able to participate in medical reimbursement plans by employing a spouse. Generally, beginning in 2014, this strategy will not work because these plans will violate certain Affordable Care Act market reform provisions. A discussion on these new restrictions has been added in this edition.	Section 411
	9. This section has been updated for the proposed regulations issued on the small employer health insurance credit.	Section 412

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 5 Qualified Retirement Plans	1. Due to the Supreme Court's decision in <i>Windsor</i> regarding same-sex marriages, the IRS has issued guidance on the application of the <i>Windsor</i> decision to qualified retirement plans. This chapter has been updated for the new guidance.	Section 501
	2. If certain requirements are met, employers may suspend or reduce contributions to safe harbor 401(k) plans midyear. The IRS has recently issued regulations that revise these requirements. This update includes information on the changes.	Section 505
	3. Section 401(k) plans may now permit in-plan rollovers to designated Roth accounts of amounts that would not be normally distributable. This section has been updated for guidance that the IRS recently issued on these in-plan rollovers.	Section 505
	4. The Treasury Department recently provided more details about a new retirement savings account called myRA (My Retirement Account) that employers may soon offer to employees. A discussion about the myRA program has been added to this chapter.	Section 510
CHAPTER 6 Nonqualified Executive Compensation Strategies	1. The IRS has issued final regulations under IRC Sec. 83 that clarify when a substantial risk of forfeiture exists for Section 83 purposes. The discussions throughout this chapter have been updated for information in the final regulations.	Chapter 6
	2. A recent case is mentioned in this update in which the court explains the meaning of <i>discharged for cause</i> as used in the tax provisions that address the existence of a substantial risk of forfeiture.	Section 602
CHAPTER 7 Marketing Compensation Planning Services	1. Using the internet to market compensation planning services is an effective way to reach more clients. A new section has been added to this chapter that provides tips on how the practitioner can use the internet as a marketing tool.	Section 705
	2. A checklist of considerations when selecting an internet service provider is included in this update.	Appendix 7K