FINANCIAL RESPONSIBILITIES FOR CDS VENDORS

TOPICS WILL INCLUDE

- Obtaining Federal, State, and Local Numbers on new and transfer Customers
- Reporting new hires to the state of Missouri
- Filling quarterly and annual taxes
- Closing a CDS Customer
- Becoming a Fiscal/Employer Agent
- Common Tax Problems (and potential solutions)

DISCLAIMER

- Worked for us, hopefully will work for you
- Tax forms are always changing- watch for updates
- Don’t be afraid to call the government entity and ask
- If it works, don’t change it!

FORMS VENDORS NEED ON EACH NEW CUSTOMER

- Federal
  - SS-4 (A)
  - SS-4 Statement Form (B)
  - Form 2848 (C)
  - Form 2678 (D)
- State
  - Form 2643A (E)
  - Form 2827 (F)
- Local (If applicable)

OBTAINING AN EIN (EMPLOYER IDENTIFICATION NUMBER)

- Financial office applies for SS-4 Online
  - SS4 Sample (rev 12-2017).pdf
- Use information found on SS-4 (A)
  - Authorization obtained by SS-4 Application form (B)
- Print 2 copies
  - Keep one for files
  - Send one to manager to give to customer
- IRS will follow up with letter CP 575 that gives EIN and filing frequency

EIN ERROR?

- Sometimes online application produces a reference number 101 or 115
  - Requests a phone call
  - Must mail or fax in the SS-4 application
- Appears to be a “check” to make sure the SS-4 is properly filled out.
- Takes anywhere from a few days to a few weeks to obtain EIN number

FORM 2848 (C)

- Different than medical related POA
- Needed when calling the IRS about tax issues
  - Without it you can provide information but cannot receive any information
- Not sent in regularly
- Form 2848 Power of Attorney and Declaration of Representative Sample (10-18).pdf

OBTAINING A MO EIN NUMBER

- Federal EIN number is used to apply for MO EIN Number
  - Under "Register a new business" on MO DOR website
    - MO DOR Website
- Information is the same as the 2643A (E)
  - MO Tax Registration Application Form 2643A Sample (03-18).pdf
- Summary information and confirmation page are printed for customer file
  - 24 hours-confirmation number used to check status
  - EIN and 4-digit pin are available

FORM 2827 (F)

- Similar in nature to the federal form 2848
- Not sent in unless you wish to discuss a tax issue with the MO DOR
- Form 2827 MO Department of Revenue Power of Attorney Sample (04-18).pdf

OBTAINING NUMBERS ON A TRANSFER CUSTOMER

- Paperwork is similar with the following exceptions:
  - SS-4 Line 18 Marked "Yes" and previous EIN is written in (if known)
  - <u>No</u> SS-4 Statement Form (B)
    - The online application does not give the option of entering a previous EIN
    - Will produce an error screen if you try to apply for an EIN number and one already exists
  - Transfer Letter- signed by customer (G)
- State/Local paperwork remains the same

OBTAINING AN EIN TRANSFER

- Customer can call and request their own EIN
  - 800-829-4933
  - IRS will give the EIN over the phone to the customer
- Fax the transfer letter to the previous CDS agency
  - Fax in completed SS-4 to IRS to notify them of change of address, third party, etc…
- Fax in SS-4 (with line 18 marked yes) to IRS
  - Follow up if needed
- Use Form 2848

DIVISION OF EMPLOYMENT SECURITY

- No formal application process
- Identification numbers are assigned once quarterly contribution and wage reports are submitted
- Account numbers are in this format: XX-XXXXX-X-XX
  - Last two digits are associated with the CDS agency and will change w/ transfer
  - Only provide customers with the first 8 digits to avoid confusion between agencies

REPORTING NEW HIRES

- MO New Hires
- Report within 20 days of hire, but will accept up to 90 days past hire date
- Will except batch reporting as long as it meets the excel criteria
- Do not send unless you have received an EIN number on your customer
- For questions and concerns call: 888-663-6751

FILING TAXES

- Filing frequency is determined at the time when identification numbers are established
  - Can be quarterly or annually (majority)
  - Filing frequencies can differ between government entities
    - Example: customer a might file quarterly for federal government but annually for the state government
- Must be postmarked within 30 days after the end of the filing period to avoid late fees and penalties
  - Keep your postage receipts for proof of filing

WHAT TAXES DO WE FILE ON BEHALF OF OUR CUSTOMERS?

- Federal 941--quarterly (H) or federal 944--annually (I)
- MO 941--quarterly or Annually (J)
- Division of Employment Security Contribution and Wage Report--all quarterly (K)
- Local Quarterly Taxes (Kansas City and St. Louis)
- W3/W2--annually (M)
- Federal 940--annually (N)
- MO W3--annually (O)
- Local Annual Reconciliation (Kansas City and St. Louis)

CLOSING A CDS CUSTOMER

- CDS specialist (case worker) sends in customer termination form (P)
  - Reason must be provided
    - examples include non-compliant, ineligible, customer request, death
- Name, date, last wages paid, and filing frequency are entered into a spreadsheet
  - Annual frequency are kept on a separate spreadsheet for end of year closures
- Applicable quarterly taxes are run for the closed customer
- Closure paperwork is sent to the government entities

CLOSURE PAPERWORK

- Customer
  - A copy of the customer's federal, state, and local numbers are given to the customer and filed in case files and financial files (Q)
- IRS
  - Closure letter stating customer information (R)
  - Form 2678 with authority revoked (D)
  - IRS responds with letter stating they've received the closure paperwork and we no longer have authority to act on their behalf
- MO DOR
  - Form 5633 final report (S)

CLOSURE PAPERWORK CONTINUED…

- Division of Employment Security
  - Uinteract website
    - Log in and request to close account
    - Confirmation screen is printed
    - DIV EMP SEC responds with closure letter inactivating account
- Local
  - St. Louis and Kansas City closure papers

BECOMING A FISCAL/EMPLOYER AGENT

INFORMATION PROVIDED BY:

MOLLIE MURPHY

CELL PHONE: 617-953-3914

WHAT SHOULD YOU KNOW ABOUT IRS REVENUE PROCEDURE 2013-39?

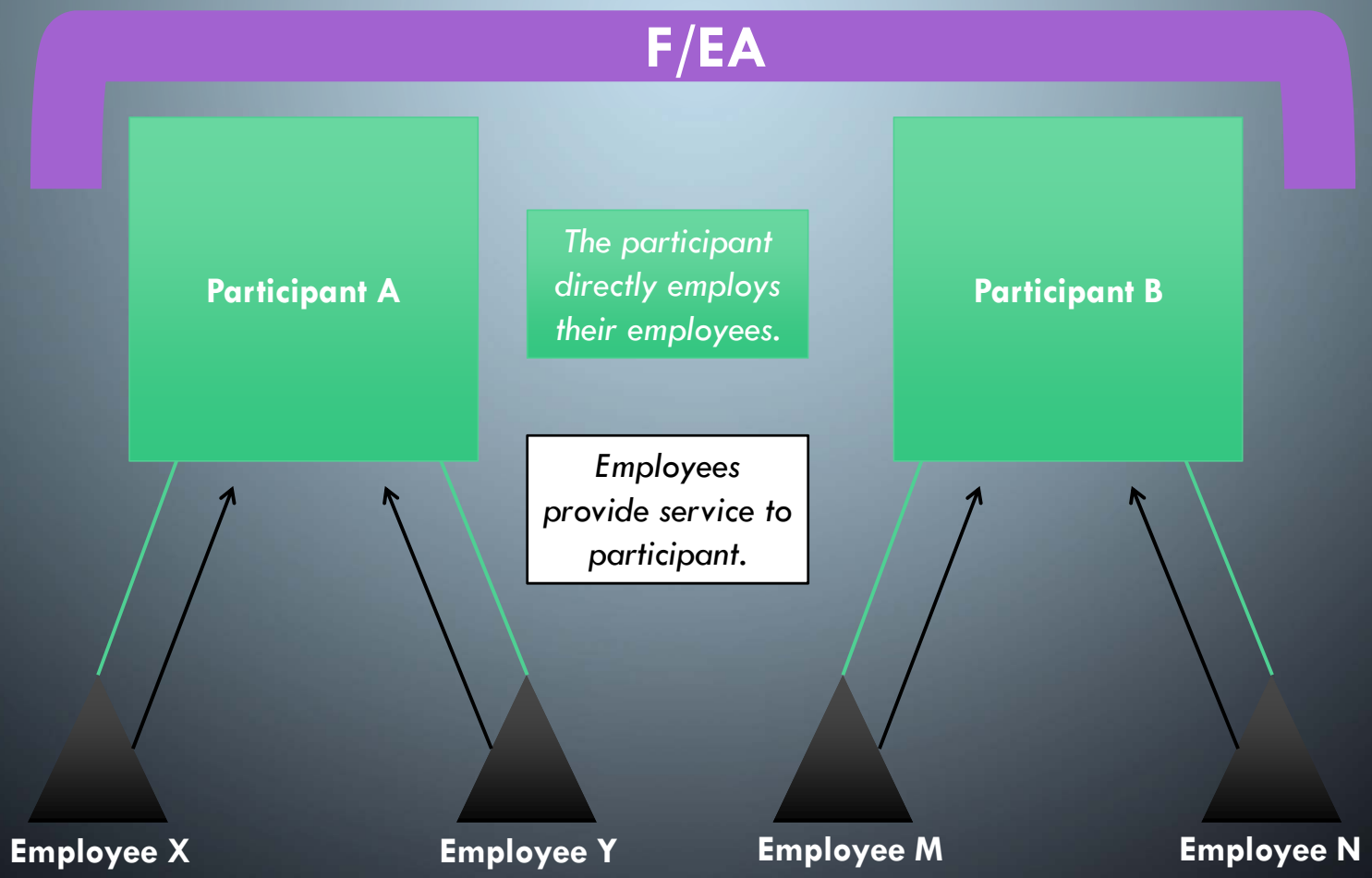
- The IRS calls participant/representative employers Home Care Service Recipients or HCSRs
- Rev. Proc. 2013-39 makes clear that all participant/representative employers must have a Federal Employer Identification Number (EIN)
  - Obtained with IRS Form SS-4
- An F/EA must submit an IRS Form 2678, *Employer Appointment of Agent*, for each participant/representative employer it represents.

WHY SHOULD YOU BECOME A FISCAL/EMPLOYER AGENT?

- Connects CDS agency and HCSR (customer) with an identifier
  - Holds CDS agencies liable for taxes during the time they had authorization
  - Protects customers during tax issues
- Allows CDS agencies to file a schedule R
  - One 941(H) for all CDS customers
    - Schedule R breaks down withholdings for each CDS customer

F/EA: Participant as Employer

F/EA serves as agent and supports participants as employers.



HOW DO YOU BECOME A FISCAL/EMPLOYER AGENT?

- Submit a new SS-4 for your CDS business (T)
  - Gives a separate FEA FEIN number to connect your CDS business with your customer
  - On Line One put your business, state, and program name
    - Example: Blue Skies Home Care, LLC MO CDS Acting As a Household Fiscal/Employer Agent per Rev. Proc 70-6
- May take several attempts to obtain a second number
- Helpful to attach a letter requesting 2nd EIN even though it isn't advised
- Finally they'll send a second EIN number

FORM 2678 (D)

- One you have your F/EA FEIN AND the customer's EIN you can apply for authorization via form 2678
- EIN is placed on 2678 (D) and Mailed to IRS
  - Form 2678 Sample.pdf
- IRS Responds with LTR 1997c
  - Appoints CDS agency acting as agent for HCSR
- When customer's case closes send in the 2678 revoking authority

COMMON TAX PROBLEMS

- Problem: Customers that transfer mid-quarter
  - IRS Receives multiple filings
    - Assume one was made in error
    - Refund the monies paid
  - W2/W3 are sent
    - IRS realizes that 941s and W3 do not match
      - IRS sends letters requesting missing payment w/ penalties and interest

COMMON TAX PROBLEMS CONTINUED…

- Solution
  - Call and explain the situation to the IRS
    - Resolves problems faster– agent can put a hold on penalties/interests
  - Don't automatically cash refund checks from the IRS
    - Investigate and make sure you don't actually still owe that money
      - If you owe it, write VOID on the check and send it back with a letter explaining the situation
  - Work with other CDS agencies
    - Help your customer get in touch with their prior agency to solve delinquent tax issues

TAX PROBLEMS CONTINUED…

- Duplicate EINs assigned to one customer
  - If not indicated on the SS-4 (via line 18) the IRS can create a second EIN number
    - Causes hardship on agency and customer dealing with letters, fines, and communication with the IRS
- Solution
  - Send all closing CDS cases with their FEIN, MO EIN, and SUTA #'s
  - Inform transfer customers that they can call the IRS and obtain their EIN (if one is established)
  - Utilize form 2678
    - Helps inform IRS of authorization switches
    - Holds CDS vendors liable for the taxes paid during the time the customer used them

FINANCIAL BEST PRACTICES

- Document everything
- Follow up if you haven't heard from a government entity
  - Refax in information w/ 2nd attempt written on the cover letter
- Provide customers a copy of their numbers
- Work with other CDS agencies– we're all in this together
- If they provided a customer signed notice requesting their numbers, provide the numbers to the new agency!
- If you can't resolve something easily with a government entity, pay with protest

SO TODAY WE LEARNED ABOUT…

- Number acquisition
- Filing frequency
- Becoming a Fiscal/Employer Agent
- Common tax problems
- Financial best practices

SHAWNNA KROEGER, CFO

Blue Skies Home Care, LLC

16944 CR 3082

Cosby MO 64436

shawnna@blueskiescds.com