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HR News Alert

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State Minimum Wage Rates Set to Increase

The minimum wage will rise in a number of states next year. Unless otherwise noted, the following minimum wage rates (per hour) are scheduled to become effective on January 1, 2014:

- **Arizona:** \$7.90 (\$4.90 for tipped employees)
- **California:** \$9.00, effective July 1, 2014
- **Colorado:** \$8.00 (\$4.98 for tipped employees)—proposed
- **Connecticut:** \$8.70
- **Florida:** \$7.93 (\$4.91 for tipped employees)
- **Missouri:** \$7.50 (\$3.75 for tipped employees)
- **Montana:** \$7.90
- **New Jersey:** \$8.25
- **New York:** \$8.00, effective December 31, 2013
- **Ohio:** \$7.95 (\$3.98 for tipped employees), except that the federal minimum wage of \$7.25 per hour may be paid to employees whose employers gross \$292,000 or less per year
- **Oregon:** \$9.10
- **Rhode Island:** \$8.00
- **Vermont:** \$8.73 (\$4.23 for tipped employees)
- **Washington:** \$9.32



Be sure to comply with any city or other local wage requirements (which may be **higher** than the state or federal minimum wage) that may apply to your business. For more information on state minimum wage laws, including poster requirements, please visit our [State Laws](#) section, click on your state, and select "Minimum Wage" in the left-hand navigation menu.

☐ Various Tax Benefits Will Change in 2014 Due to Inflation Adjustments

The IRS has [announced](#) several inflation adjustments that affect tax-related items for employers and employees. Items that may be of particular interest for tax year 2014 include:



- An employer may exclude the value of qualified transportation benefits provided to an employee during 2014 from the employee's wages, up to **\$130 per month for transportation in a commuter highway vehicle and any transit pass**, and **\$250 per month for qualified parking**.
- The annual dollar limit on employee contributions to employer-sponsored [health flexible spending arrangements](#) (FSAs) **remains unchanged at \$2,500**.
- The maximum amount of the [small business health care tax credit](#) is phased out based on the employer's number of full-time equivalent employees in excess of 10 (unchanged from last year) and the employer's **average annual wages in excess of \$25,400** (up from \$25,000 for 2013).
- The maximum [earned income tax credit](#) for low- and moderate- income workers and working families rises to **\$6,143** (up from \$6,044 in 2013) and the maximum income limit for the credit rises to \$52,427 for taxpayers filing jointly. The credit varies by family size, filing status and other factors, with the maximum credit going to joint filers with three or more qualifying children.

To learn more about the tax consequences of various employer-provided fringe benefits, visit our [Employee Benefits](#) section and click on your topic of interest in the left-hand navigation menu.

☐ Employees Without Health Insurance May Face Penalties--5 Q&As

The [individual mandate](#) under Health Care Reform, which is expected to go into effect on January 1, 2014, requires individuals of all ages (including children) to have minimum essential health coverage for each month, qualify for an exemption, or make a payment when filing his or her federal income tax return. Below are five important things to know about the requirement.

1. What counts as minimum essential coverage?

Minimum essential coverage includes employer-sponsored coverage (including COBRA coverage and retiree coverage), coverage purchased in the individual market, Medicare Part A coverage and Medicare Advantage, Children's Health Insurance Program (CHIP) coverage, and certain other types of coverage.

Minimum essential coverage does not include coverage providing only limited benefits, such as coverage only for vision care or dental care, workers' compensation, or disability policies.

2. If an employee receives coverage from a spouse's employer, will that employee have minimum essential coverage?

Yes. Employer-sponsored coverage is generally minimum essential coverage. If an employee enrolls in employer-sponsored coverage for himself and his family, the employee and all of the covered family members have minimum essential coverage.

3. Do an employee's spouse and dependent children have to be covered under the same policy or plan that covers the employee?

No. An employee, his or her spouse, and dependent children do not have to be covered under the same policy or plan. However, the employee, spouse, and each dependent child for whom the employee may claim a personal exemption on his or her federal income tax return must have minimum essential coverage or qualify for an exemption, or a payment will be owed.

4. A company's health plan is "grandfathered." Does the employer's plan provide minimum essential coverage?

Yes. Grandfathered group health plans provide minimum essential coverage.

5. What is the amount of the individual mandate penalty?

The amount of any payment owed takes into account the number of months in a given year an individual is without minimal essential coverage or an exemption. For 2014, the penalty is the higher of:

- 1% of the individual's yearly household income (the maximum penalty is the national average yearly premium for a bronze plan); or
- \$95 per person for the year, or \$47.50 per child under 18 (the maximum penalty per family using this method is \$285).

The fee increases every year. In 2015, the penalty is 2% of income or \$325 per person.

For more information, you may review additional [questions and answers](#) from the IRS. Be sure to visit our [Summary by Year](#) to review other key changes under Health Care Reform that are coming next year.

3 Guidelines to Reward Employees for a Job Well Done

The end of the year is a traditional time for recognizing employees' contributions to your business. Whether you choose to give your employees a raise, a bonus, or a nonmonetary reward, it's important to let your employees know that you appreciate their hard work.

Choosing a Reward

While bonuses and pay raises are popular choices, there are plenty of other ways to show your appreciation. Be creative and consider other types of rewards such as a catered appreciation lunch, offering a paid shorter workday of the employee's choosing, or throwing a holiday or end-of-year party.



Even a gesture of personally thanking employees for a job well done can go a long way towards keeping your team engaged and motivated.

Guidelines for Giving Rewards

Remember that even the best intentions can subject a company to liability if the employer is not careful. Consider the following tips to help you stay on track when rewarding your employees:

- **Be careful.** Employers can generally decide whether or not to give employees a bonus or raise, but be careful about making any verbal or written commitments--even a casual mention of a bonus or raise could be construed as binding. And remember to check with your accountant or a financial professional about the tax implications of any rewards you plan to give.
- **Be clear.** The [U.S. Small Business Administration](#) (SBA) suggests including your reward policy in your employee welcome kit or benefits package and reminding employees of your policy when performance review season comes around.
- **Be objective.** When it comes to assessing eligibility for a pay increase or other benefits, the SBA recommends establishing a clear grading system upon which to measure performance in a fair and consistent manner; documenting your reasons for making the award; and backing it up with performance examples.

Also keep in mind that [federal nondiscrimination laws](#) require that bonuses be provided on a nondiscriminatory basis. This means the eligibility criteria for bonuses must be applied in a nondiscriminatory way, and eligible employees must receive bonuses in nondiscriminatory amounts. (States may have their own requirements, so be sure to review your state's nondiscrimination laws.)

Check out our section on [Motivating Employees](#) for more ideas on rewarding your team members.

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