

A Refresher on New Hire Reporting Requirements

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As part of welfare reform legislation (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), each state is required to establish a system for employers to report all newly hired employees. The information is primarily used to match it with child support records and to locate parents with such obligations, so wage withholding orders can be established. States may also use the information to detect fraudulent workers' compensation and unemployment claims.

In most states, new hires must be reported within 20 days of the first date of employment – Iowa requires the information within 15 days. The basic information to be submitted is found on the W-4 form that new employees complete to authorize federal income tax withholding. As long as it is legible, a copy of this form will generally satisfy state requirements. However, Iowa requires additional information, such as date of birth, availability of and eligibility for health insurance, employer's phone number and address for wage withholding orders.

If you employ individuals in more than one state, you can choose to report new hires to only one state. In order to do this, you must have the ability to report your new hires electronically or by magnetic tape. You must also register with the state you have selected to receive the report. When reporting electronically or by magnetic tape, two monthly transmissions are required – not less than 12 or more than 16 days apart.

You must report all new hires including probationary, part time, temporary and seasonal workers on your payroll. You must also re-report employees who return to work after a layoff or leave of absence if the individual was removed from your payroll records. If you hire someone and they leave your employment before the report is due, you still must file the report, because the employment relationship existed and wages were earned.

States are allowed to impose monetary penalties for noncompliance. The penalty cannot exceed \$25 for each newly hired employee who is not reported. However, if there is a conspiracy between the employer and employee not to report, the penalty can be as high as \$500.

The method and procedure you use to report new hires will generally depend upon the size of your organization and the number of people you hire during an average year. The less often you hire, the more likely it is that you could forget to take care of this important detail. A "New Hire Checklist" is a useful tool that is easy to create. It helps you organize the process of obtaining required documents and forms and can serve as a reminder of items that must be reported to various agencies and service providers.

If you would like a sample checklist or need contact information for the New Hire reporting agency in your state, please contact Lesley on the HR Tax Favored Benefits, Inc. Helpline at 800-683-3440 or by e-mail to lesley@taxfavoredbenefits.com.