



Third Biennial Financial Management Services Conference
Supplemental Resources
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Common Financial Management Services Acronyms

Acronyms that are commonly used in Financial Management Services are listed below. The explanations of the terms provided are not intended to be exhaustive definitions. Rather, especially pertinent information is provided for each acronym as it relates to participant directed Financial Management Services. For each of these acronyms and explanations, additional information may be relevant for a particular situation or model of Financial Management Services.

Acronym	Definition	Explanation
AwC	Agency with Choice	An Agency with Choice is a model of Financial Management Services wherein the Agency with Choice provides services under a co-employment arrangement with participants. In the Agency with Choice model the agency is the common law employer and the participant is a managing employer of workers who serve the participant. Practically, this means that a participant may identify a worker for hire, refer that worker to an Agency with Choice, the Agency with Choice hires the worker and worker provides services to the participant. The participant manages the worker's duties and schedule. The Agency with Choice pays the worker and manages payroll and human resources duties.
DOL	Department of Labor	The Department of Labor administers a variety of Federal labor laws including those that guarantee workers' rights to safe and healthful working conditions; a minimum hourly wage and overtime pay; freedom from employment discrimination; unemployment insurance; and other income support.
F/EA	Fiscal/Employer Agent	A Fiscal/Employer Agent serves as an employer agent on behalf of participants enrolled in public programs under Section 3504 of the Internal Revenue Code. A Fiscal/Employer Agent may be a government entity, a private non-profit or for-profit entity that has been contracted to serve public program enrolled participants who are common law employers of household employees. While participants served by a Fiscal/Employer Agent must be enrolled in a public program, the funds used to pay the participants' employees and employment taxes may be public or private or a combination of public and private funds.
FEIN (or EIN)	Federal Employer Identification Number	A Federal Employer Identification Number is used by the IRS to identify employers in the United States. IRS Form SS-4, <i>Application for Employer Identification Number</i> , is completed and submitted to the IRS to obtain an FEIN. In most cases, participant employers must have Federal Employer Identification Numbers.
FI	Fiscal Intermediary	A Fiscal Intermediary is an entity that provides third and fourth party financial services between recipients and providers of a benefit. This term has been used to describe Fiscal/Employer Agents, but more often refers to Medicaid claims payers and administrators of Medicaid Management Information Systems. Due to possible confusion with other third and fourth party payers, "Fiscal Intermediary" generally should no longer be used to mean Fiscal/Employer Agent.
FICA	Federal Insurance Contributions Act	The Federal Insurance Contributions Act tax is a United States payroll (or employment) tax imposed by the federal government on both employees and employers to fund Social Security and Medicare. Both employees and employers pay an equal share of Social Security and Medicare taxes. These taxes are required to be paid by Agencies with Choice and Fiscal/Employer Agents who represent participant employers. In some cases, a participant employer may be exempt from paying FICA on wages paid to certain family members (see <i>Family Employees</i> section of IRS Publication 15, Circular E).

Acronym	Definition	Explanation
FLSA	Fair Labor Standards Act	The FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards. Covered nonexempt workers are entitled to a minimum wage of not less than \$7.25 per hour effective July 24, 2009. Overtime pay at a rate not less than one and one-half times the regular rate of pay is required after 40 hours of work in a workweek. The Fair Labor Standards Act also establishes the “Companionship Exemption” by which workers who are classified as companions of certain employers can be exempt from certain Fair Labor Standards Act requirements. Prior to paying workers in accordance with the “Companionship Exemption” the employer/employee situation and work duties should be carefully reviewed.
FMS	Financial Management Services	Financial Management Services is the general term applied to a service/function that assists a participant-directing family or participant to: (a) manage and direct the distribution of funds contained in the participant-directed budget; (b) facilitate the employment of staff by the family or participant by performing as the participant’s agent such employer responsibilities as processing payroll, withholding and filing federal, state, and local taxes, and making tax payments to appropriate tax authorities; and (c) performing fiscal accounting and making expenditure reports to the participant and/or family and state authorities. Both Agency with Choice and Fiscal/Employer Agent are models of Financial Management Services.
FUTA	Federal Unemployment Tax Act	The Federal Unemployment Tax Act (or FUTA, 26 U.S.C. ch.23) is a United States federal law that imposes a federal employer tax used to fund state workforce agencies. This tax is usually required to be paid by or on behalf of participant employers; however, wages paid to certain family members of an employer are exempt from FUTA (see <i>Family Employees</i> section of IRS Publication 15, Circular E). FUTA is reported by filing an annual IRS Form 940 with the Internal Revenue Service. Depending on the amount of FUTA liability, payment installments may be required during a tax year or with a timely filed IRS Form 940.
FWT	Federal Withholding Tax	This is an individual’s Federal Income Tax that is withheld from wages by an employer. The employer deposits withheld Federal Income Tax with the IRS as a pre-payment of the Federal Income Tax that the individual employee owes. Participant employers (household employers) and Fiscal/Employer Agents that represent participant employers are not required to withhold Federal Income Tax from a participant’s worker’s wages; however, many participant direction program administrations require Fiscal/Employer Agents to withhold this tax as a service to the workers.
HHCSR	Home Health Care Service Recipient	HHCSR is a term used by the IRS to describe participant directing employers.
IRC	Internal Revenue Code	The Internal Revenue Code (more formally, the Internal Revenue Code of 1986, as amended) is the main body of domestic statutory tax law of the United States organized topically, including laws covering the income tax, payroll taxes, gift taxes, estate taxes and statutory excise taxes. The Internal Revenue Code is published as Title 26 of the United States Code (USC), and is also known as the internal revenue title. Its governing authority is the Internal Revenue Service.

Acronym	Definition	Explanation
ISO	Intermediary Service Organization	This term has been used to describe a Financial Management Service provider who could be a Fiscal/Employer Agent or Fiscal Conduit. ISOs may perform one or more of the following tasks to support participants: provide training on worker management issues; assist participants with managing their workers; assist with paperwork required when participants use vouchers or cash to pay their workers (such as filling out time sheets, completing tax forms, and paying employer taxes). In general, this term should no longer be used.
SUI	State Unemployment Insurance	Benefits disbursed from a state's Unemployment Insurance Fund and financed in whole or in part by a tax imposed by a state and paid by employers. The terms "State Unemployment Tax" (below) and "State Unemployment Insurance" are sometimes used interchangeably.
SUTA	State Unemployment Tax	A tax imposed by a state and paid by employers, which finances benefits disbursed from the state's Unemployment Insurance Fund. State Unemployment Tax must usually be paid on wages paid to workers who provide services to participants whether they are paid by an Agency with Choice, Fiscal/Employer Agent or other mechanism. By paying State Unemployment Tax, an employer qualifies to pay a reduced FUTA tax rate of .8% instead of 6.2%. Depending on a state's specific rules, wages paid to certain family members of employers may be exempt from State Unemployment Tax.
SWT	State Withholding Tax	This is a worker's State Income Tax that is withheld from wages by an employer. Agencies with Choice and Fiscal/Employer Agents that represent participant employers are often required to withhold State Income Tax from workers' wages and deposit such taxes with the applicable state tax agency.

Models of Financial Management Services in Participant Direction

Financial Management Services are a Participant-Directed Support

Financial Management Services (FMS) are a participant-directed support; they assist program participants to use participant-directed services.

FMS is commonly provided via one of the following FMS models (also see chart on page 3):

- **Fiscal/Employer Agent (F/EA):**

With an F/EA model, the program participant or representative is the common law employer of workers hired, trained and managed by the participant/representative. The F/EA serves as the participant employer's *employer agent*. The F/EA pays workers and vendors on the participant's behalf and, using a separate Federal Employer Identification Number (FEIN) for the purpose of serving as an F/EA, the F/EA withholds, calculates, deposits and files withheld Federal Income Tax and both employer and employee Social Security and Medicare Taxes and employer Federal Unemployment Tax. The F/EA is jointly liable with the participant for any unfulfilled tax obligations for the above mentioned taxes. The F/EA usually files and deposits the participant employer's state employment taxes.

The Fiscal/Employer Agent model can be separated into two sub-models, each of which is subject to specific IRS Revenue Procedures as of November 1, 2009. The sub-models of the F/EA model are the *Government F/EA* and *Vendor F/EA* models.

Government F/EA

An F/EA operating per the Government F/EA model must be a Federal, state or local government entity. The Government F/EA obtains a separate FEIN to serve as an employer agent of participant employers. The Government F/EA performs the standard F/EA duties, but the Government F/EA can also file and deposit Federal Unemployment Tax Act (FUTA) taxes in aggregate on behalf of all participant employers represented using a separate FEIN for that purpose. Depending on State requirements, employers represented by a Government F/EA may not need to obtain individual FEINs. Per IRS Notice 2003-70, a Government F/EA can designate Fiscal/Employer Agent duties to a sub-agent who represents the Government F/EA as an *employer agent*. The sub-agent can be a contracted vendor and will take on joint and severable liability for employment taxes with the Government F/EA. The Government F/EA can also designate certain payroll duties to a reporting agent. The reporting agent may perform certain payroll duties, they will not take on joint liability for employment taxes with the Government F/EA.

Government F/EAs are subject to IRS Revenue Procedures 80-4 and as modified by IRS Proposed Notice 2003-70.

Vendor F/EA

An F/EA operating per the Vendor F/EA model must not be a government entity, but can be a for-profit or non-profit organization. The Vendor F/EA performs the standard F/EA duties, but as of November 2009, the Vendor F/EA can file and deposit FUTA taxes in aggregate on behalf of all participant employers represented using a separate FEIN for that purpose per *verbal* guidance provided by IRS staff at the December 5, 2005 F/EA Conference and Workshop. It is believed that the IRS is in the process of developing formal guidance that directs Vendor F/EAs to file and deposit FUTA in the aggregate using the Vendor F/EA's separate FEIN. Participant employers represented by a Vendor F/EA must always obtain an FEIN to be used to designate the Vendor F/EA as the *agent of employer* using IRS Form 2678, *Employer Appointment of Agent*, under Section 3504 of the Internal Revenue Code. A Vendor F/EA can designate certain wage payment and tax withholding, depositing and filing duties to a reporting agent, but the reporting agent will not incur liability for any unfulfilled Federal tax obligations.

Vendor F/EAs are subject to IRS Revenue Procedure 70-6.

- **Agency with Choice (AwC):**

With an AwC model, an agency is the primary employer of workers who provide service to the participant. The program participant or representative serves as the "managing employer" of workers and in that role refers workers to the AwC for hire, participates in training, sets terms and conditions of work, supervises worker activities and discharges the worker from the work site, which is usually the participant's home. The agency may provide supportive services to workers or participants and the agency manages all payroll, tax, insurance responsibilities.

- **Fiscal Conduit:**

With a Fiscal Conduit model, a government entity or vendor disburses public funds via cash or vouchers to participants or representatives. If the participant chooses to directly hire workers and serve as their common law employer, the participant is responsible for managing all payroll-related duties, including paying wages, tax withholding, calculating, depositing and filing and for doing so in compliance with Federal, State and Local tax, wage and hour rules and regulations. If the participant uses agency or vendor services, the participant is responsible for making payments to the agency or vendor.

Characteristics of Common FMS Models

FMS Model	Operating Entity	Employer of Worker ¹	EIN Required in Participant/ Representative's Name?	Specific IRS Guidance in Addition to Internal Revenue Code, Regulations and IRS Publication Circular E
Government F/EA	State or Local Government Entity	Participant or Representative	Not always. Depends on state requirements.	IRC Section 3504, Rev. Proc. 80-4 as modified by Notice 2003-70
Vendor F/EA	Vendor	Participant or Representative	Yes	IRC Section 3504, Rev. Proc. 70-6
Agency with Choice	Agency	Agency	No	No
Fiscal Conduit	State/Local Government Entity or Vendor	Participant or Representative	Yes	IRC Section 3510 (Household Employment Taxes), Notice 95-18

¹ If participant is directly hiring or referring a worker for hire (employer authority). This does not apply if the participant is only purchasing vendor, agency or independent contractor services.

Cost of Financial Management Services: Case Studies

Financial Management Service Entities can Provide a Broad Range of Services

Financial Management Services (FMS) are a participant-directed support; they assist program participants to use participant-directed services.

FMS refers to entities that serve as a Fiscal/Employer Agent (F/EA), Agency with Choice or Fiscal Conduit in participant direction programs (see section titled “Financial Management Services in Participant Direction: What are the Different Models?” for descriptions of the FMS models).

FMS can include a broad range of services and therefore a broad range of costs. FMS can range in cost from about \$40 per participant per month to upwards of \$175 per participant per month.

Many Factors Influence the Cost of Financial Management Services

Many factors, including the services provided by a FMS entity, impact the cost of FMS. Some factors that commonly influence the cost of FMS include:

- FMS model: F/EA, Agency with Choice or Fiscal Conduit
 - The FMS entity’s responsibilities in the Fiscal Conduit model are generally fewer than with F/EA or Agency with Choice, so fees charged by FMS entity’s for this model are usually lower. The trade-off is that the participant performs duties that would normally be handled by an F/EA or AwC. This model is significant work for a participant and can make fiscal accountability more difficult to monitor
- Volume and type of Customer Service provided by FMS entity to program stakeholders
- Degree of participant budget authority. How flexible is the budget?
- Size of population served
- Complexity of payment rules enforced by FMS entity
- Working capital requirements; does the FMS entity advance funds to pay participants’ workers and vendors?
- Process to exchange data with the FMS entity, including participant, worker, vendor and spending plan information
- Requirements for FMS entity physical presence in the planned service area(s)
- The role of the FMS entity in supporting the participant to become an employer
- The role of the FMS entity in supporting the participant to identify and hire worker

How are Programs Structuring the FMS Payment Methodology and what are they Paying for FMS?

The National Resource Center for Participant-Directed Services (NRCPPDS) and The Lewin Group obtained FMS cost data via phone and e-mail from a variety of participant direction programs, including Medicaid State Plan, Medicaid Home and Community Based Services Waiver, Cash & Counseling and Nursing Home Diversion Modernization programs.

Just as the range of services provided and responsibilities of a FMS entities varies greatly across programs, so too does the range of costs and cost structures. The cases provided below provide hypothetical examples created using survey data. While these examples are based on actual programs and FMS, no programs are described in whole in the cases.

The cases below are provided to exhibit:

- Various cost structures for reimbursing FMS as implemented by participant direction programs
- How FMS cost might differ across the FMS entity models
- How FMS cost might differ across geographic regions
- How FMS cost might differ across program population sizes
- How economies of scale might impact the cost of FMS
- How FMS cost might differ depending on the role of the FMS entity as compared to other entities involved in the participant direction program (e.g. Administrative Entity, Counseling Entity, Case Management Entity)

Case 1 – Choice of Many F/EAs

Geographic Region	FMS entity Model	Fee	Start-Up Fee	Procurement Process	Participants Served by FMS entity
<i>Midwest</i>	Vendor F/EA	\$125 PMPM ¹	None	Request for Proposal	100 -150

General

In this program, participants can choose from 10 separate Vendor F/EAs. Vendor F/EAs market to participants, advertising their services and costs. Participants pay for FMS from their individual budgets. The Vendor F/EA operates in accordance with all IRS, State and Local rules and regulations as they apply to Vendor F/EAs and household employers. The F/EA procures workers' compensation policies on participants' behalf using participant individual budget funds, manages the workers' compensation policies and responds to any audit requests.

Data Exchange and Payment Rules

Participants can use individual budget funds to pay for workers for whom the participant is the common law employer and also to purchases goods and services from vendors, agencies and other independent contractors. Participants determine the rate of pay for workers for each service within a range provided by the state. The F/EA must pay workers and vendors in accordance with 27 payment rules, in addition to ensuring payments are made in accordance with participants' individual budgets. The F/EA must collect and manage worker credentialing data from the participants and state and ensure that workers are only paid for services for which they have met credentialing requirements.

Individual budget data is provided to the F/EA by a care management entity on paper. The F/EA enters individual budget information into the F/EA's payroll and accounting system. Changes to individual budgets are provided on paper by the care management entity to the F/EA as often as once per week. The F/EA updates its system accordingly and makes payments on participant's behalf in accordance with updated budgets.

Customer Service

The F/EA trains the care management entity to support participants to complete employer enrollment packages, hire workers and develop employer skills. The Case Management entity supports participants to this end and the F/EA does not have any in-person interaction with participants. The F/EA provides telephone and e-mail assistance primarily to care managers because participants use the case manager as their point of contact, but the F/EA also responds to inquiries from participants, representatives and workers. Common queries of the F/EA regard whether a payment will be made, when it was made and if an invoice/timesheet was received.

¹ "PMPM" stands for "Per Member Per Month" and refers to the fee charged per participant per month by the FMS entity.

Reporting

The F/EA provides five standard management reports to the State and Case Management entity monthly. The F/EA sends reports outlining budgeted amounts and spent amounts to participants quarterly.

Reimbursement to the FMS for Payments Made on Participant's Behalf

The F/EA pays workers and vendors on behalf of participants and submits and invoice for reimbursement to the state within 2 business days of making payments on behalf of participants. The state reimburses the F/EA for all approved expenditures within 14 business days. Approximately 95% of invoices are reimbursed without additional follow-up required by the F/EA within 14 days. 4.85% are reimbursed within 30 business days and approximately 0.15% goes unreimbursed by the state because the F/EA was determined to have made a payment in error. Bi-weekly payroll is usually between \$200,000 and \$300,000. The F/EA must have working capital to cover service payments made on behalf of participants until reimbursement is received. The required working capital amount tends to be around \$275,000 at all times.

Case 2 – Partnering for Economies of Scale

Geographic Region	FMS entity Model	Fee	Start-Up Fee	Procurement Process	Participants Served by FMS entity
<i>South</i>	Vendor F/EA	\$55 PMPM plus \$1.00 for each hour of service that the F/EA pays to a worker who is the common law employee of the participant.	None	Contracted with a vendor that was already providing service for another program in the state.	200 for this program, but the FMS entity also serves another program in the state. The FMS entity serves 3500 total participants in the state.

General

A single state-wide Vendor F/EA provides FMS for participants in this program. Participants do not pay for FMS from their individual budgets. The Vendor F/EA operates in accordance with all IRS, State and Local rules and regulations as they apply to Vendor F/EAs and household employers. The program partnered with another program in the state and implemented almost identical rules and processes for both programs. The economies of scale are reflected in the PMPM cost. The standard PMPM of \$55 applies to participants who receive services only from vendors, agencies or independent contractors. For participants who receive services from vendors, agencies or independent contractors AND from employees of the participant, the \$55 standard PMPM applies and the F/EA charges an additional \$1 for every hour of service paid to an employee of the participant. This structure was developed because the F/EA must do more work for participants who have their own employees (e.g. establish the participant as an employer with tax agencies, submit and process all agent authorization paperwork with tax agencies, and withhold, deposit, and file Federal, State and Local taxes for payments made by participant employers to their employees). Seventy five percent of participants hire their own employees and those participants pay about 10 hours per week to employees. Therefore, the F/EA charges \$55 PMPM for 25% of participants and \$65 PMPM for about 75% of participants.

Data Exchange and Payment Rules

Participants can use individual budget funds to pay for workers for whom the participant is the common law employer and also to purchases goods and services from vendors, agencies and other independent contractors. A single rate of pay is defined by the state for each service; all workers who provide that service are paid the same rate. The F/EA only receives data for workers who have met all program requirements and are approved to be paid for service. The F/EA must enforce 5 separate payment rules, in addition to making payments in accordance with the participant's monthly budget.

Individual budget data is provided by a counseling entity to the F/EA electronically. Each participant is authorized a monthly dollar amount and that data is provided to the F/EA electronically 15 days prior to the beginning of each month. The F/EA electronically loads individual budget information into the F/EA's payroll and accounting system. Any changes to monthly budgets are provided on paper by the care management entity to the F/EA as during the month. The F/EA updates its system accordingly and makes payments on participant's behalf in accordance with updated budgets.

Customer Service

The F/EA provides phone support to participants to complete employer enrollment packages. The F/EA distributes an employer training manual to all participants. The manual provides guidance for hiring workers and developing employer skills. The F/EA provides telephone and e-mail assistance primarily to counselors, participants, representatives and workers. Common queries of the F/EA regard whether a participant has completed the necessary paperwork to hire a worker and if all account numbers have been obtained to allow the payments to be made on participant's behalf, how to support the worker to complete employee paperwork, if a payment will be made, and if an invoice/timesheet was received.

Reporting

The F/EA provides four standard management reports to the State and counseling entity monthly, including a report of any unresolved Customer Service issues. Reports are not sent to participants.

Reimbursement to the FMS for Payments Made on Participant's Behalf

The F/EA pays workers and vendors on behalf of participants and submits and invoice for reimbursement to the state at least 2 business days *before* making payments on behalf of participants. The state reimburses the F/EA for all approved expenditures within 1 business day after receipt of the invoice. Any payments that are not reimbursed by the state are not made on behalf of participants. The F/EA researches why a payment was denied and follows up with the participant to make any necessary corrections to invoices or timesheets so that they can be paid in the next payment cycle. The F/EA is not required to advance funds for payments made on behalf of participants.

Case 3 – Variable Start-Up Costs per Participant, Small Program

Geographic Region	FMS entity Model	Fee	Start-Up Fee	Procurement Process	Participants Served by FMS entity
<i>Mid-Atlantic</i>	Vendor F/EA	\$100 PMPM	Yes, per participant. Dependent on complexity of start-up process for individual participant. Up to \$200 per participant in first year.	<ul style="list-style-type: none"> • Invitation to bid • Selected lowest cost vendor that met minimum qualifications 	250

General

A single state-wide Vendor F/EA provides FMS for participants in this program. Participants do not pay for FMS from their individual budgets. The Vendor F/EA operates in accordance with all IRS, State and Local rules and regulations as they apply to Vendor F/EAs and household employers.

The standard PMPM of \$100 applies to participants who receive services from vendors, agencies, independent contractors or common law employees of the participant. A start-up fee of \$50 to \$200 is charged per participant per year for participants who join the program in the first year of program operation. The start-up fee is dependent on the complexity of the start-up and data transfer process for the employer.

Data Exchange and Payment Rules

Participants can use individual budget funds to pay for workers for whom the participant is the common law employer and also to purchases goods and services from vendors, agencies and other independent contractors. A single rate of pay is defined by the state for each service; all vendors or workers who provide that service are paid the same rate. The F/EA only receives data for workers who have met all program requirements and are approved to be paid for service. The F/EA must enforce 15 separate payment rules, in addition to making payments in accordance with the participant's budget.

Individual budget data is provided to the F/EA electronically from a central database. The F/EA loads electronic individual budget and participant data into the F/EA's payroll and accounting system. Changes to individual budgets are provided via the electronic data load as often as daily.

Customer Service

The F/EA provides regional group workshops to participants to complete employer enrollment packages and receive employer skills training. In addition to in-person workshops, the F/EA provides telephone and e-mail assistance primarily to counselors, participants, representatives and workers.

Reporting

The F/EA provides four standard management reports to the State and counseling entity monthly. The F/EA sends reports outlining budgeted amounts and spent amounts to participants monthly.

Reimbursement to the FMS for Payments Made on Participant's Behalf

The state provides an advance of \$500,000 in the first month of service. The F/EA pays workers and vendors on behalf of participants and submits and invoice for reimbursement to the state after making payments on behalf of participants. The state reimburses the F/EA for all approved expenditures within 30 days of receiving the invoice from the F/EA. The \$500,000 advance is provided to prevent the F/EA from providing working capital to cover payments to be made on behalf of participants for a current payment cycle while the payments from the previous payment cycle are being reimbursed.

Case 4 – Small Government Fiscal/Employer Agent Program

Geographic Region	FMS entity Model	Fee	Start-Up Fee	Procurement Process	Participants Served by FMS entity
<i>South</i>	Government F/EA	\$70 PMPM	\$10,000 in grant funds provided for start-up	None. Local government entity provides FMS in-house.	1-50

General

A local government entity serves as a Government F/EA and provides FMS for participants in this program. Participants do not pay for FMS from their individual budgets. The Government F/EA operates in accordance with all IRS, State and Local rules and regulations as they apply to Government F/EAs and household employers.

Participants have monthly budgets under \$1000 and most participants use their budgets to purchase a combination of employee, vendor, agency and independent contractor services.

Data Exchange and Payment Rules

Participants can use individual budget funds to pay for any of 3 services. The participant sets the worker's rate of pay within a range determined by the local government entity. The F/EA only receives data for workers who have met all program requirements and are approved to be paid for service. The F/EA must ensure payments are made in accordance with the participant's budget, but need not enforce any other payment rules.

Individual budget data is provided to the F/EA portion of the local government entity on paper. The F/EA enters budget data into the F/EA's payroll and accounting system. Changes to individual budgets are provided not more than once every three months.

Customer Service

The F/EA does not provide any training or Customer Service directly to participants. The Counseling entity manages all communication with workers, vendors, agencies and participants. The F/EA responds to Counseling entity questions and provides spending and payroll reports to the Counseling entity after each payment cycle.

Reporting

Reporting is informal. The F/EA provides ad hoc information to the Counseling entity and/or local government agency staff.

Reimbursement to the FMS for Payments Made on Participant's Behalf

The local government entity has all funds to make payments on participant's behalf in advance of making payments on participant's behalf.

Case 5 – Agency with Choice

Geographic Region	FMS entity Model	Fee	Start-Up Fee	Procurement Process	Participants Served by FMS entity
<i>Northeast</i>	Agency with Choice	After first year, cost of FMS is 10% of funds managed by FMS entity.	Yes. \$35,000 provided to develop systems and infrastructure and provide services to up to 50 participants in the first year. No other costs or fees paid in first year.	<ul style="list-style-type: none">• Request for Proposal• Selected qualified vendor with most participant focused approach	51 -100

General

An agency with direct service experience in the region serves as an Agency with Choice for participants in this program. Participants can refer workers to the agency for hire and can also purchase services through other agencies, vendors and independent contractors. The agency provides employer skills training one-on-one with participants and their families.

Data Exchange and Payment Rules

Participants can use individual budget funds to pay for any of 15 services. The agency pays a standard rate for each service for all workers referred to the agency by the participant. The participant negotiates rates with other agencies, vendors and independent contractors.

Individual budget data is provided to the Agency with Choice on a monthly basis on paper. The FMS enters budget data into the FMS entity's payroll and accounting system. Changes to individual budgets are provided not more than monthly.

Customer Service

The FMS provides all Customer Service to participants regarding FMS.

Reporting

Six different management reports are provided to the administrative entity on a quarterly basis. Reports of participant budgets, spending and amounts remaining are provided to participants monthly.

Reimbursement to the FMS for Payments Made on Participant's Behalf

The Agency with Choice advances funds to make payments on participant's behalf and is reimbursed by the administrative entity within 15 business days.

Selected Fiscal/Employer Agent Questions from NRCPPDS Members

We enjoy when our members and other participant direction stakeholders submit questions to the National Resource Center for Participant-Directed Services. Below are selected questions related to Fiscal/Employer Agent services that we have received over the past year. If you have a question to submit, please contact us (www.participantdirection.org).

Q: If a non-profit operates as a Fiscal/Employer Agent, is the non-profit exempt from paying Federal Unemployment Tax (FUTA) on behalf of program participant employers?

A: Absolutely not. Some organizations have mistakenly assumed the tax procedures afforded them as a non-profit also apply when they serve as Fiscal/Employer Agents for participant employers. When an organization serves as a Fiscal/Employer Agent per Revenue Procedure 70-6 or 80-4 as modified by notice 2003-70, the organization must file and pay FUTA based on each participant employer's individual FUTA liability. Even if the organization is a non-profit, as a Fiscal/Employer Agent, FUTA must be filed and deposited on behalf of liable participant employers.

Q: Our organization uses a professional payroll company to manage payroll for our organization's staff. If we want to operate as a Fiscal/Employer Agent, would it not be simplest to use the same company to manage payroll for the participant employers that we represent as a Fiscal/Employer Agent?

A: Not necessarily. The IRS most likely treats your organization as a *regular* employer and as such a particular set of Revenue Procedures apply to your organization. Your payroll company is likely skilled at performing your organization's payroll in compliance with those regulations. To serve as a Fiscal/Employer Agent, a completely different set of Revenue Procedures apply. Your organization must first obtain a separate Employer Identification Number to operate as a Fiscal/Employer Agent and it must file and pay federal taxes in accordance with special Revenue Procedures. Additionally, a participant's workers are considered "household employees" and different payment and tax filing requirements apply to these workers. Many professional payroll companies are not equipped to handle Fiscal/Employer Agent payroll. If you work with a professional payroll organization, ensure they have experience working with a Fiscal/Employer Agent.

Q: What is the difference between an Agency with Choice and a Fiscal/Employer Agent?

A: Please attend the workshop session "*Agency with Choice: Past, Present and Future*" and see the related PowerPoint on www.participantdirection.org after the conference.

Q: What is the difference between a Fiscal/Employer Agent and a Reporting Agent? They both do payroll, so why do they have different names?

A: The primary difference between a Fiscal/Employer Agent and a Reporting Agent (which some call a "payroll agent") is that a Fiscal/Employer Agent assumes joint liability with the employer for Federal employment taxes. A specific section of the Internal Revenue Code, Section 3504, applies to Fiscal/Employer Agents. Reporting Agents, however, do not assume joint liability with the employer for Federal employment taxes. This means that the IRS sees a Fiscal/Employer Agent as "on the hook" for paying and filing a participant's employment taxes; however, if a participant just uses a reporting agent the participant has sole liability for filing and paying Federal employment taxes.

Q: How do I know whether I am working with a Fiscal/Employer Agent or a Reporting Agent?

A: Simply, a Fiscal/Employer Agent and a participant employer will always execute an IRS Form 2678, *Employer Appointment of Agent*, together and will submit it to the IRS for approval. A Reporting Agent will execute only an IRS Form 8655, *Reporting Agent Authorization* with the participant employer.

Q: What is a taxable wage base?

A: A taxable wage base is the maximum dollar amount of wages that is subject to a particular tax. Gross wages paid to an employee in excess of this amount are not subject to the tax. For example, the 2009 FUTA taxable wage base is \$7,000. This means that an employer only pays FUTA on the first \$7,000 paid

by the employer to the employee in the year. States have taxable wage bases for State Unemployment Tax, as well. A state's Unemployment taxable wage base may change each year.

Q: Vendor Fiscal/Employer Agents take on liability for filing and depositing participant federal taxes and Agents must receive approval from the IRS to do so. Is a Vendor Fiscal/Employer Agent immediately liable for filing and depositing federal taxes for a participant or are they liable only after the IRS has approved it?

A: The October 2007 IRS Form 2678 instructions state that an agent is not liable for filing any federal tax returns or making any deposits or payments until the agent receives approval from the IRS to act as an agent for an individual. Therefore, **it is very strongly suggested that during the period from when the agent files the IRS Form 2678 for an individual until the agent receives IRS agent approval for that individual, state program agencies require that the Fiscal/Employer Agent be responsible for filing and depositing federal employment taxes, including any unfulfilled federal tax obligations, penalties and interest.** It is highly recommended that program agencies state this requirement in the administrative contract and/or Medicaid provider agreement executed with the Fiscal/Employer Agent.

Q: We know a participant employer is going to pay less than \$1,000 in gross wages this calendar year. Do we really need to do all this employer tax withholding and computing stuff?

A: *The short answer:* the employer and employee must be absolutely sure the employee will not earn more than the applicable tax thresholds during the year because once a threshold is met, taxes are due on all wages previously paid, even those less than the threshold. It can be very risky for Fiscal/Employer Agents to pay a participant's employees and not withhold or compute FUTA and FICA because it is expected that the participant employer will pay a low wage amount for the year. If the employer ultimately pays more than expected, both the employer and Fiscal/Employer Agent may be subject to penalties and interest and may also detrimentally impact employees.

The longer answer: **Federal Income Tax:** A participant employer is not required by the IRS to withhold Federal Income Tax, but doing so is good practice as it supports workers to receive the correct amount of take-home pay and not be surprised with a bill from the IRS when they file their personal income tax returns in April. **FUTA:** A participant employer is only liable to pay FUTA tax if the participant employer pays more than \$1000 in gross wages in a single calendar quarter. However, once the employer pays more than \$1000 in a quarter, the employer must pay FUTA on all wages previously paid in the year. **FICA (Social Security and Medicare Taxes):** An employee and employer owe FICA on all wages paid once an employee is paid in excess of \$1,700¹ by an employer in a calendar year. It is important to note that once an employee is paid in excess of \$1,700 (e.g. \$1,701) FICA is due for all wages paid during the year, even those wages less than \$1,700. It can be almost impossible to collect the employee's share of FICA on wages already paid to the employee without greatly reducing an employee's take-home pay.

¹ In 2009 and 2010. The IRS may change this amount for 2011.

Fair Labor Standards Act Tip Sheet

The Fair Labor Standards Act mandates overtime compensation for a work week in excess of 40 hours, sets minimum wage and recordkeeping standards and establishes restrictions on the employment of minors (<http://www.dol.gov/esa/whd/flsa/>). Violations of the Fair Labor Standards Act can leave Financial Management Services entities vulnerable to costly lawsuits.

To ensure Fair Labor Standards Act compliance, companies and government entities must collect and maintain time and payroll information for all employees for at least three years. This rule applies to Financial Management Service entities just as it does other organizations that pay employees.

In a 2004 article for *Worksite Employment and Benefits Legal Update*, attorney Brian Barger cited that organizations that failed to meet the following recordkeeping requirements were most likely to incur costs related to Fair Labor Standards Act violations:

- ☐ Maintain timesheet records
- ☐ Record worker time-in and time-out on each timesheet
- ☐ Keep records of unauthorized overtime
- ☐ Record and pay for required breaks
- ☐ Maintain accurate payroll records for at least three years

The Fair Labor Standards Act does not require that records are maintained in any particular form (e.g. paper or electronic), but it does require that certain records be maintained for non-exempt employees. Workers in participant direction programs are almost exclusively non-exempt. Financial Management Service entities should ensure they are storing all of the following information on individuals who provide service to participants:

- ☐ Employee name
- ☐ Employee address, occupation, gender and birth date if employee is under 19 years of age
- ☐ Start and end day of employee's work week
- ☐ Total hours worked per day and week
- ☐ Total straight time earnings
- ☐ Regular hourly pay rate
- ☐ Total overtime paid
- ☐ All wage deductions (including garnishments) or additions
- ☐ Wages paid by pay period
- ☐ Date wages paid and the dates of the pay period worked

Companionship Exemption

Financial Management Service entities should be extraordinarily careful before utilizing the Fair Labor Standards Act Companionship Exemption. The Companionship Exemption allows household workers who are serving as companions of their employers to be paid less than minimum wage and to not be paid overtime for hours worked in excess of 40 per week. A worker *may* qualify to be paid per the companionship exemption if:

- ☐ The state in which he/she is working fully recognizes the companionship exemption (over 20 states do not).
- ☐ The worker is a domestic/household employee per the Department of Labor's definition (29 C.F.R. § 552.3). That is, the employee provides services of a household nature in or about a private home (permanent or temporary) of the person by whom he or she is employed.
- ☐ The worker provides "fellowship, care, and protection for a person who, because of advanced age or physical or mental infirmity, cannot care for his or her own needs."
- ☐ Services may include "household work related to the care of the aged or infirm person such as meal preparation, bed making, washing of clothes, and other similar services."
- ☐ The worker **may not** spend more than 20 percent of work time performing services that are of a general household nature.

The FLSA Companionship Exemption is difficult to interpret. The NRCPPS strongly suggests that a program seek full legal review prior to paying workers using the Companionship Exemption from Fair Labor Standards Act requirements.

Remember to... A Tax Year Checklist

As the current tax year comes to a close and Financial Management Services providers gear up for a new tax year, many important tasks must be completed. In addition to the expected year-end activities, Fiscal/Employer Agents and Agencies with Choice should remember the following tasks to support themselves, participants and workers maintain compliance with Federal, State and Local tax and labor rules and regulations.

As FMS providers close the current tax year, they should remember to...

- ☐ Register with the Social Security Administration's Business Services Online to:
 - ☐ Verify employee Social Security Numbers prior to issuing Forms W-2. Remember, if a W-2 has a name and social security number that do not match the Social Security Administration's records, the Financial Management Service entity may be fined \$50 per error.
 - ☐ File forms W-2 and W-3 electronically. It is a requirement to file electronically if you produce 250 or more Forms W-2, but it's nice even if you do not.
- ☐ Use the Social Security Administration's AccuWage System to check electronic W-2 files for errors prior to submitting to the IRS/SSA.
- ☐ Review the corrected file specifications for the electronic Form 1099 file format. The initial specifications for Forms 1099 are not correct and the IRS has issued corrected electronic specifications.
- ☐ Remind employees to verify their names and addresses for delivery of Forms W-2.
- ☐ Process online Forms W-2C for prior tax years as required. Effective December 7, 2009, the Social Security Administration's Business Services Online (BSO) will begin accepting online Forms W-2C submitted for tax years 2006 through 2009. Correction reports for those years can be submitted through April 15, 2010. Beginning on April 15, 2010, however, only Forms W-2C for tax years 2007 through 2009 can be submitted, due to the 3 year 3 month and 15 day statute of limitations.
- ☐ Fiscal/Employer Agents renew Forms 8821 that will expire on December 31, 2009. Remember, Forms 8821 automatically expire after 3 tax years.
- ☐ Ensure Financial Management Service entities are prepared to comply with state year-end reporting requirements. If state year-end returns are required to be made electronically, ensure you can comply with all electronic filing specifications.
- ☐ Refund over-collected FICA. Identify employees who have not met the Social Security and Medicare (FICA) wage threshold of \$1700 in gross wages for 2009. Refund FICA to employees and employers (the employer portion of refunded FICA is usually returned to the program agency) and appropriately report refunded FICA on Forms 941, requesting a refund from the IRS as applicable. Be sure to refund FICA prior to issuing Forms W-2.
- ☐ Prior to issuing forms W-2, balance payroll reports to Forms 941 and Forms W-2. If any errors are identified, correct them with the IRS using Form 941X. If the identified errors impact state wages or withholding, do not forget to correct previous filed state returns.
- ☐ Per applicable State rules and regulations, submit any uncashed checks or reports thereof per state Unclaimed Property procedures.

As FMS providers prepare for the next tax year, they should remember to...

- ☐ Update Federal, State and Local withholding tax tables.
- ☐ Update Earned Income Credit tables so that any Advanced Earned Income Credit paid to employees in 2010 is correct.

- ☐ Not adjust the FICA threshold for 2010. Like in 2009, FICA is due for household employees only on gross wages paid to an employee in excess of \$1,700 for the calendar year.
- ☐ Identify if states in which you pay wages have a new State Unemployment Insurance Taxable Wage Base for 2010 and, if so, update procedures accordingly.
- ☐ Consider participating in the Department of Homeland Security's new *E-Verify* system to ensure that newly hired workers are eligible to work in the United States.
- ☐ Compare bank holidays and federal holidays to pay dates to ensure your payroll schedule takes into account dates that mail is not delivered or direct deposit is not processed
- ☐ Remember that new hire reporting is now federally mandated. You must report newly hired employees per your state's new hire requirements.
- ☐ Get to know the new IRS Form 941-X. Any error made on a 941 or a wage or tax error made on a Form W-2 will require a correction to be made using the Form 941-X.
- ☐ Ensure all newly hired employees complete the new USCIS Form I-9, which was released August 7, 2009.
- ☐ If you pay workers in one of the nine states or two cities that adjust minimum wage on January 1 for inflation, ensure worker pay rates are in compliance on January 1, 2010.

On January 1, 2010, the following minimum wage amounts will go into effect:

Arizona	\$7.25
Florida	\$7.25
Missouri	\$7.25
Montana	\$7.25
Ohio	\$7.30 or \$7.25 if gross receipts are \$267,000 per year or less
Oregon	\$8.40
Vermont	\$8.06
Washington	\$8.55
San Francisco, CA	\$9.79
Santa Fe, NM	– to be announced

- ☐ Ask any employees who marked "Exempt" on the 2009 IRS Form W-4 to complete a new Form W-4 for 2010.
- ☐ Remind employees to notify the Financial Management Service if they want to make changes to their state or federal withholding allowances for tax year 2010.
- ☐ Ensure employees complete new State Forms W-4 to if required by your state.

Selected State Updates for Tax Year 2010

Check in your state for similar changes.

Massachusetts: Unemployment Insurance tax *must* be reported online using an electronic method. Paper forms will not be accepted for Unemployment Insurance.

Nebraska: Both filing and payment of Unemployment Insurance tax must be conducted electronically if an employer has an annual payroll of \$100,000 or more. Fiscal/Employer Agents operating in Nebraska should verify with the Nebraska Workforce Development Department if this \$100,000 in payroll requirement applies to each participant employer's payroll or to all payroll paid by the agent.

Rhode Island: Employers with 10 or more employees must make State Income Tax withholding payments using Electronic Funds Transfer. Fiscal/Employer Agents operating in Rhode Island should verify with the Division of Taxation if this requirement applies to agents if the agent pays more than 10 total workers, even if those workers provide services to separate participant employers.

Financial Management Services Forms

A library of commonly used forms in FMS

Forms for a Vendor or Government Agency to Serve as a Fiscal/Employer Agent

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form SS-4, <i>Application for Employer Identification Number</i>	Obtain a separate Employer Identification Number to be used specifically to serve as a Fiscal/Employer Agent. This EIN is used to file returns and make deposits on behalf of participant employers <i>in aggregate</i> .	Before serving as a Government or Vendor Fiscal/Employer Agent for Participant Employers	Government or Vendor Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/iss4.pdf

Forms for a Government Fiscal/Employer Agent to Appoint a Sub-Agent

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form 2678, <i>Employer Appointment of Agent</i>	<p>Government Fiscal/Employer Agent requests approval from IRS to have another entity perform some or all of the Government. Fiscal/Employer Agent's Federal employment tax responsibilities as a sub-agent. As such, the sub-agent takes on liability for any unfulfilled federal employer tax obligations.</p> <p>This form is also used for the Government Fiscal/Employer Agent employer to revoke an existing appointment of a sub-agent..</p>	When and if a Government Fiscal/Employer Agent engages the services of another entity and wishes for that entity to have joint and severable liability for Federal employment taxes ⁱ . The sub-agent operates under Section 3504 of the IRC and shares liability with the Government Fiscal/Employer Agent.	Government Fiscal/Employer Agent and Sub-Agent	http://ftp.irs.gov/pub/irs-pdf/f2678.pdf

Forms for a Government or Vendor Fiscal/Employer Agent to Appoint a Reporting Agent

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form 8655, <i>Reporting Agent Authorization</i>	Government or Vendor Fiscal/Employer Agent appoints a third party reporting agent to sign and file certain returns, make deposits for certain returns, receive duplicate copies of notices etc. The reporting agent does not take on any liability for unfulfilled tax obligations, penalties or interest. That liability remains with the Government or Vendor Fiscal/Employer Agent.	When and if a Government or Vendor Fiscal/Employer Agent engages the services of a reporting agent to perform certain Federal Employment tax responsibilities. The reporting agent does not take on liability under the IRC for such responsibilities.	Government or Vendor Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f8655.pdf
IRS Form 8821, <i>Tax Information Authorization</i>	Participant employer designates reporting agent, in addition to the Fiscal/Employer Agent, to inspect and receive participant employer confidential employment tax information.	When a participant employer enrolls with a Government or Vendor Fiscal/Employer Agent that engages the services of a reporting agent to perform certain Federal Employment tax responsibilities.	Participant Employer	http://www.irs.ustreas.gov/pub/irs-pdf/f8821.pdf

Forms for the Government or Vendor Fiscal/Employer Agent Model

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form SS-4, <i>Application for Employer Identification Number</i>	Apply to IRS to obtain Employer Identification Number for a participant employer ⁱⁱ or other individual serving as employer of participant's employees.	Before a participant hires employees.	Participant Employer	http://www.irs.gov/pub/irs-pdf/fss4.pdf
IRS Form 2678, <i>Employer Appointment of Agent</i>	Participant employer requests approval from IRS to have Fiscal/Employer Agent file returns and make deposits of employment and withholding taxes. This form is also used for a participant employer to revoke an existing appointment of Fiscal/Employer Agent. This form is not required in the Government Fiscal/Employer Agent model ⁱⁱⁱ .	Before wages are paid to a participant's employees ^{iv} .	Participant Employer and Fiscal/Employer Agent	http://ftp.irs.gov/pub/irs-pdf/f2678.pdf
IRS Form 8821, <i>Tax Information Authorization</i>	Participant employer designates Fiscal/Employer Agent to inspect and receive participant employer confidential employment tax information. As of October 2009, IRS Form 2678 does not authorize Vendor Fiscal/Agents to represent participants for purposes of FUTA, however IRS Form 8821 does.	Before wages are paid to a participant's employees.	Participant Employer	http://www.irs.ustreas.gov/pub/irs-pdf/f8821.pdf
State Income Tax Application for Employer Account Number	Participant employer registers to file and pay state income tax withheld from employee wages.	Before wages are paid to a participant's employees.	Participant Employer	Varies by State
State Income Tax Power of Attorney or Other Consent Form	Participant employer designates Fiscal/Employer Agent to file returns and make deposits for state income tax withheld from participant employer's employees. Not all states have or require a form of this type.	Before wages are paid to a participant's employees.	Participant Employer and Fiscal/Employer Agent	Varies by State

Forms for the Government or Vendor Fiscal/Employer Agent Model, continued

Form	Purpose	Completed When	Completed By	Link to Form
State Unemployment Tax Application for Employer Account Number	Participant employer registers to file and pay state unemployment tax and notifies unemployment tax agency of participant employer's liability for state unemployment tax.	Varies by State. May be required prior to a participant employer paying wages or may be required after a participant employer becomes liable for State Unemployment Tax ^v .	Participant Employer or Fiscal/Employer Agent. Varies by State.	Varies by State
State Unemployment Tax Power of Attorney or Other Consent Form	Participant employer designates Fiscal/Employer Agent to file returns and make deposits for state unemployment tax. Not all states have or require a form of this type.	Before filing or depositing State Unemployment Tax.	Participant Employer or Fiscal/Employer Agent. Varies by State.	Varies by State
Participant Agreement	Participant understands and agrees to the parameters of the program.	Before receiving services.	Participant Employer	Usually developed by program or Fiscal/Employer Agent
IRS Form 941, <i>Employer's Quarterly Federal Tax Return</i>	Fiscal/Employer Agent files FICA (Medicare and social security taxes) and federal income tax withholding quarterly in the aggregate with its separate EIN for all participant employers the Fiscal/Employer Agent represents.	Quarterly for any quarter in which the Fiscal/Employer Agent paid wages for employees serving participants	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f941.pdf
IRS Form 940, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i>	Fiscal/Employer Agent files FUTA annually in the aggregate using the Fiscal/Employer Agent's separate EIN for all individuals the Fiscal/Employer Agent represents ^{vi} .	Annually for any year in which the Fiscal/Employer Agent paid wages for employees serving participants	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f940.pdf

Forms for the Government or Vendor Fiscal/Employer Agent Model, continued

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form 941-X, <i>Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund</i>	Fiscal/Employer Agent files to correct a mistake made on a previously filed IRS Form 941.	As needed. The process used to make corrections depends on how many days before, within or after the period of limitations on a credit or refund for IRS Form 941.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f941x.pdf
Form W-2, <i>Wage and Tax Statement</i>	Report annual wage and tax information for each employee who serves a participant employer. If Fiscal/Employer Agent files 250 or more IRS Forms W-2, Fiscal/Employer Agent must file electronically using the Social Security Administration's Business Services Online.	Annually for each tax year. Must be issued to employees by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS/SSA by February 28 if filing on paper. Must be submitted to IRS/SSA by March 31 if filing electronically. State tax agencies may require Forms W-2 by a State imposed deadline.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/fw2.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form W-3, <i>Transmittal of Wage and Tax Statements</i>	Transmit annual wage and tax information paid by Fiscal/Employer Agent under Fiscal/Employer Agent's separate EIN. If Fiscal/Employer Agent files more than 250 Forms W-2, Forms W-2 must be filed electronically and an Form W-3 is not required.	Annually for each tax year. Must be issued to employees by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS/SSA by February 28 if filing on paper. Must be submitted to IRS/SSA by March 31 if filing electronically. State tax agencies may require Forms W-2 by a State imposed deadline.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/fw3.pdf AND http://www.ssa.gov/bso/bsowelcome.htm

Forms for the Government or Vendor Fiscal/Employer Agent Model, continued

Form	Purpose	Completed When	Completed By	Link to Form
Form W-2c, <i>Corrected Wage and Tax Statement</i>	Issue a correction to a previously issued Form W-2.	As soon as an error on a previously issued Form W-2 is detected. A correction to a W-2 may require a correction to a previously filed IRS Form 941. If 250 or more Forms W2c must be filed, Forms W2c must be filed electronically using the Social Security Administration's Business Services Online.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/fw2c.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form W-3c, <i>Transmittal of Wage and Tax Statements</i>	Issue a correction to a previously submitted Form W-3.	As soon as an error on a previously issued Form W-2 is detected. A correction to a W-2 may require a correction to a previously filed IRS Form 941.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/fw3c.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form 1099-Misc	Report amounts of \$600 or more paid to independent contractors, agencies or other vendors ^{viii} .	Annually for each tax year. Must be issued to contractors by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS by February 28 if filing on paper. Must be submitted to IRS by March 31 if filing electronically. State tax agencies may require Forms 1099 by a State imposed deadline.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f1099misc.pdf

Form	Purpose	Completed When	Completed By	Link to Form
Form 1096, <i>Annual Summary and Transmittal of U.S. Information Returns</i>	Transmit a summary of all Forms 1099 issued by the Fiscal/Employer Agent.	Annually for each tax year. Must be issued to contractors by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS by February 28 if filing on paper. Must be submitted to IRS by March 31 if filing electronically. State tax agencies may require Forms 1099 by a State imposed deadline.	Fiscal/Employer Agent	http://www.irs.gov/pub/irs-pdf/f1096.pdf
Applicable State Year-End Reconciliation Forms and/or Wage Statements	State Tax Agencies may require state reconciliation or wage statements for purposes of employer withheld state income tax or state unemployment insurance. Varies by state.	State tax agencies may require forms or electronic returns by a State imposed deadline.	Fiscal/Employer Agent	Varies by State.
State New Hire Report	Report employee name, social security number, and other requested information on any newly hired employees of participants. States use new hire reports for multiple purposes, but the most common use is to enforce child support garnishments.	Varies by state, but is usually within 20 days of hire.	Fiscal/Employer Agent	Varies by State.

Forms for the Agency with Choice Model

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form SS-4, <i>Application for Employer Identification Number</i>	Obtain an Employer Identification Number to be used to serve as an Agency with Choice. If the Agency already has an EIN, a new EIN is likely not required to serve as an Agency with Choice.	Before serving as an Agency with Choice for Participant Employers	Agency with Choice	http://www.irs.gov/pub/irs-pdf/iss4.pdf
State Income Tax Application for Employer Account Number	Agency with Choice registers to file and pay state income tax withheld from employee wages.	Before wages are paid to employees.	Agency with Choice	Varies by State
Participant Agreement	Participant understands and agrees to the parameters of the program.	Before receiving services.	Participant	Usually developed by program or Agency with Choice
IRS Form 941, <i>Employer's Quarterly Federal Tax Return</i>	Agency with Choice files FICA (Medicare and social security taxes) and federal income tax withholding quarterly for all employees it pays.	Quarterly for any quarter in which the Agency with Choice paid wages for any employees.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/f941.pdf
IRS Form 940, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i>	Agency with Choice files FUTA annually in the aggregate for wages paid to all employees and taxable for FUTA purposes.	Annually for any year in which the Agency with Choice paid wages for employees.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/f940.pdf
IRS Form 941-X, <i>Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund</i>	Agency with Choice files to correct a mistake made on a previously filed IRS Form 941.	As needed. The process used to make corrections depends on how many days before, within or after the period of limitations on a credit or refund for IRS Form 941.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/f941x.pdf

Forms for the Agency with Choice Model, continued

Form	Purpose	Completed When	Completed By	Link to Form
Form W-2, <i>Wage and Tax Statement</i>	Report annual wage and tax information for each employee paid by the Agency with Choice. If Agency with Choice files 250 or more IRS Forms W-2, Agency with Choice must file electronically using the Social Security Administration's Business Services Online.	Annually for each tax year. Must be issued to employees by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS/SSA by February 28 if filing on paper. Must be submitted to IRS/SSA by March 31 if filing electronically. State tax agencies may require Forms W-2 by a State imposed deadline.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/fw2.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form W-3, <i>Transmittal of Wage and Tax Statements</i>	Transmit annual wage and tax information paid by Agency with Choice. If Agency with Choice files more than 250 Forms W-2, Forms W-2 must be filed electronically and a Form W-3 is not required.	Annually for each tax year. Must be issued to employees by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS/SSA by February 28 if filing on paper. Must be submitted to IRS/SSA by March 31 if filing electronically. State tax agencies may require Forms W-2 by a State imposed deadline.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/fw3.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form W-2c, <i>Corrected Wage and Tax Statement</i>	Issue a correction to a previously issued Form W-2.	As soon as an error on a previously issued Form W-2 is detected. A correction to a W-2 may require a correction to a previously filed IRS Form 941. If 250 or more Forms W2c must be filed, Forms W2c must be filed electronically using the Social Security Administration's Business Services Online.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/fw2c.pdf AND http://www.ssa.gov/bso/bsowelcome.htm

Forms for the Agency with Choice Model, continued

Form	Purpose	Completed When	Completed By	Link to Form
Form W-3c, <i>Transmittal of Wage and Tax Statements</i>	Issue a correction to a previously submitted Form W-3.	As soon as an error on a previously issued Form W-2 is detected. A correction to a W-2 may require a correction to a previously filed IRS Form 941.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/fw3c.pdf AND http://www.ssa.gov/bso/bsowelcome.htm
Form 1099-Misc	Report amounts of \$600 or more paid to independent contractors, agencies or other vendors ^{viii} .	Annually for each tax year. Must be issued to contractors by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS by February 28 if filing on paper. Must be submitted to IRS by March 31 if filing electronically. State tax agencies may require Forms 1099 by a State imposed deadline.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/f1099misc.pdf
Form 1096, <i>Annual Summary and Transmittal of U.S. Information Returns</i>	Transmit a summary of all Forms 1099 issued by the Agency with Choice.	Annually for each tax year. Must be issued to contractors by January 31 of the year after the tax year for which the statement is filed. Must be submitted to IRS by February 28 if filing on paper. Must be submitted to IRS by March 31 if filing electronically. State tax agencies may require Forms 1099 by a State imposed deadline.	Agency with Choice	http://www.irs.gov/pub/irs-pdf/f1096.pdf
Applicable State Year-End Reconciliation Forms and/or Wage Statements	State Tax Agencies may require state reconciliation or wage statements for purposes of employer withheld state income tax or state unemployment insurance. Varies by state.	State tax agencies may require forms or electronic returns by a State imposed deadline.	Agency with Choice	Varies by State.

State New Hire Report	Report employee name, social security number, and other requested information on any newly hired employees. States use new hire reports for multiple purposes, but the most common use is to enforce child support garnishments.	Varies by state, but is usually within 20 days of hire.	Agency with Choice	Varies by State.
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Forms for Employees in Agency with Choice and Fiscal/Employer Agent Models

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form W-4, <i>Employee's Withholding Allowance Certificate</i>	Employee completes Form W-4 so that the employer can withhold the correct federal income tax from the employee's wages.	Before the employee provides service. If the employee marks exempt on the Form W-4 in the current calendar year, the employee must complete a new Form W-4 for the next calendar year.	Employee and Employer	http://www.irs.gov/pub/irs-pdf/fw4.pdf
USCIS Form I-9, <i>Employment Eligibility Verification</i>	Employee and employer complete to document that each new employee (both citizen and noncitizen) hired after November 6, 1986, is authorized to work in the United States.	Before the employee provides service.	Employee and Employer	http://www.uscis.gov/files/form/i-9.pdf
IRS Notice 797, <i>Possible Federal Tax Refund Due to the Earned Income Credit (EIC)</i>	Notify employees that they may qualify for the Earned Income Credit or Advanced Earned Income Credit. If employees do qualify, they may request IRS Form W-5 from the Agent.	This notice is not completed, but the notice should be provided to employees before they are hired.	Employees review.	http://www.irs.gov/pub/irs-pdf/n797.pdf
State Income Tax Allowance/Exemption Form	Employee completes this state form so that the employer can withhold the correct state income tax from the employee's wages.	Before the employee provides service.	Employee and, perhaps, Employer.	Varies by State.
Employment Agreement and/or Provider Agreement	Employee may complete a Medicaid Provider Agreement as a program requirement. Employee may complete an employment agreement to agree to terms of employment.	Before the employee provides service.	Employee and, perhaps, Employer.	Varies by State.
Applicable Local Tax Forms	Varies by State.	Varies by State.	Varies by State.	Varies by State. - 30 -

Forms for Independent Contractors and Vendors in Agency with Choice and Fiscal/Employer Agent Models

Form	Purpose	Completed When	Completed By	Link to Form
IRS Form W-9, <i>Request for Taxpayer Identification Number and Certification</i>	Collect a taxpayer identification number from an independent contractor, agency or other vendor. The taxpayer identification number will be used on IRS Form 1099-Misc.	Prior to providing services.	Independent contractor, agency or other vendor.	http://www.irs.gov/pub/irs-pdf/fw9.pdf
Service Agreement	For the participant or Financial Management Service and the independent contractor to agree to the parameters of service.	Prior to providing services.	Independent contractor, agency or other vendor and Financial Management Service or participant.	Usually developed by the program or Financial Management Service.

ⁱ Note that the Form 2678 is not effective until the IRS notifies the Fiscal/Employer Agent and employer. Programs may include statements in their contracts with a Fiscal/Employer Agent that the Agent must withhold, file and pay applicable taxes even before 2678 approval is granted.

ⁱⁱ “Participant Employer” means the participant who is receiving services and serving as the common law employer OR an individual, such as a representative, who serves as the employer in place of the participant.

ⁱⁱⁱ As of November 1, 2009

^{iv} Note that the Form 2678 is not effective until the IRS notifies the Fiscal/Employer Agent and employer. Programs may include statements in their contracts with a Fiscal/Employer Agent that the Agent must withhold, file and pay applicable taxes even before 2678 approval is granted.

^v Household or domestic employer liability requirements vary by state, but most states consider a household or domestic employer to be liable for State Unemployment Tax when the employer pays \$1000 or more in wages in a single calendar quarter.

^{vi} Notice 2003-70 states that Government Fiscal/Employer Agents must always file and deposit FUTA in the aggregate. Notice 2003-70 does not specify the same for Vendor Fiscal/Employer Agents, however Internal Revenue Service staff announced on December 5, 2005 that Vendor Fiscal/Employer Agents should file and deposit FUTA in the aggregate until further notice.

^{vii} Review specific 1099-Misc instructions as certain other situations also require a Form 1099-MISC to be filed.

^{viii} Review specific 1099-Misc instructions as certain other situations also require a Form 1099-MISC to be filed.

As of November 1, 2009, EINs cannot be applied for online for participant direction employers. EINs must be obtained via phone, fax or mail using Form SS-4.

Record EIN here when received.
This box is left blank until EIN is received.

Employer can be participant or representative serving as employer.

Mailing address cannot be the F/EA's address unless the F/EA submits with this form a Form 2848, *Power of Attorney* with a CPA, Attorney or other enrolled designation. If no 2848, mailing address must be the same as street address.

Social Security Number of person listed in Box 1

Participant employer should generally not be established as an LLC or corp.

As a default, check "No" unless you are sure the participant will not exceed stated thresholds.

Enter the estimated number of employees. The IRS uses this information for aggregate data collection and does not expect employers to hold to this number.

Enter up to three F/EA employees' names and the F/EA's name here. These designees will be able to inquire about the status of this EIN.

Form SS-4 (Rev. January 2009) Department of the Treasury Internal Revenue Service		Application for Employer Identification Number (For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.) ▶ See separate instructions for each line. ▶ Keep a copy for your records.		OMB No. 1545-0003 EIN
1 Legal name of entity (or individual) for whom the EIN is being requested Name of Participant or Other Individual Serving as Employer for Participant				
2 Trade name of business (if different from name on line 1)		3 Executor, administrator, trustee, "care of" name		
4a Mailing address (room, apt., suite no. and street, or P.O. box)		5a Street address (if different) (Do not enter a P.O. box.) Participant Employer's Address		
4b City, state, and ZIP code (if foreign, see instructions)		5b City, state, and ZIP code (if foreign, see instructions) Participant Employer's Address		
6 County and state where principal business is located Participant Employer's County & State				
7a Name of principal officer, general partner, grantor, owner, or trustor Same as Box 1		7b SSN, ITIN, or EIN		
8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		8b If 8a is "Yes," enter the number of LLC members <input type="checkbox"/> Yes <input type="checkbox"/> No		
8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No				
9a Type of entity (check only one box). Caution: If 8a is "Yes," see the instructions for the correct box to check.				
<input type="checkbox"/> Sole proprietor (SSN) _____		<input type="checkbox"/> Estate (SSN of decedent) _____		
<input type="checkbox"/> Partnership		<input type="checkbox"/> Plan administrator (TIN) _____		
<input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____		<input type="checkbox"/> Trust (TIN of grantor) _____		
<input type="checkbox"/> Personal service corporation		<input type="checkbox"/> National Guard <input type="checkbox"/> State/local government		
<input type="checkbox"/> Church or church-controlled organization		<input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military		
<input type="checkbox"/> Other nonprofit organization (specify) ▶ _____		<input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises		
<input checked="" type="checkbox"/> Other (specify) ▶ HHCSP using Fiscal/Employer Agent		<input type="checkbox"/> Group Exemption Number (GEN) if any ▶ _____		
9b If a corporation, name the state or foreign country (if applicable) where incorporated		State		Foreign country
10 Reason for applying (check only one box)				
<input type="checkbox"/> Started new business (specify type) ▶ _____		<input type="checkbox"/> Banking purpose (specify purpose) ▶ _____		
<input type="checkbox"/> Hired employees (Check the box and see line 13.)		<input type="checkbox"/> Changed type of organization (specify new type) ▶ _____		
<input type="checkbox"/> Compliance with IRS withholding regulations		<input type="checkbox"/> Purchased going business		
<input checked="" type="checkbox"/> Other (specify) ▶ HHCSP Using Fiscal/Employer Agent		<input type="checkbox"/> Created a trust (specify type) ▶ _____		
<input type="checkbox"/> Created a pension plan (specify type) ▶ _____				
11 Date business started or acquired (month, day, year). See instructions. Date of Hire of First Employee		12 Closing month of accounting year December		
13 Highest number of employees expected in the next 12 months (enter -0- if none). Agricultural _____ Household X Other _____		14 Do you expect your employment tax liability to be \$1,000 or less in a full calendar year? <input type="checkbox"/> Yes <input type="checkbox"/> No (If you expect to pay \$4,000 or less in total wages in a full calendar year, you can mark "Yes.")		
15 First date wages or annuities were paid (month, day, year) Note: If applicant is a withholding agent, enter date income will first be paid to nonresident alien (month, day, year)		First Pay Day		
16 Check one box that best describes the principal activity of your business.				
<input type="checkbox"/> Construction <input type="checkbox"/> Rental & leasing <input type="checkbox"/> Transportation & warehousing		<input type="checkbox"/> Health care & social assistance <input type="checkbox"/> Wholesale-agent/broker		
<input type="checkbox"/> Real estate <input type="checkbox"/> Manufacturing <input type="checkbox"/> Finance & insurance		<input type="checkbox"/> Accommodation & food service <input type="checkbox"/> Wholesale-other <input type="checkbox"/> Retail		
<input checked="" type="checkbox"/> Other (specify) ▶ HHCSP using Fiscal/Employer Agent		<input type="checkbox"/> Other (specify) ▶ _____		
17 Indicate principal line of merchandise sold, specific construction work done, products produced, or services provided. HHCSP Using a Fiscal/Employer Agent				
18 Has the applicant entity shown on line 1 ever applied for and received an EIN? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," write previous EIN here ▶ _____				
Complete this section only if you want to authorize the named individual to receive the entity's EIN and answer questions about the completion of this form.				
Third Party Designee		Designee's name		
F/EA Staff Person		Designee's telephone number (include area code) (FEA) Telephone		
Address and ZIP code		Designee's fax number (include area code) (FEA) FAX		
F/EA Address		Applicant's telephone number (include area code) () () ()		
Under penalties of perjury, I declare that I have examined this application, and to the best of my knowledge and belief, it is true, correct, and complete.		Applicant's fax number (include area code) () () ()		
Name and title (type or print clearly) ▶ Name on Line 1 or Legal Guardian				
Signature ▶		Date ▶		
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 10055N Form SS-4 (Rev. 1-2009)				

Individual listed in Box 1 should sign, date and print name, telephone and fax (if applicable) here. An exception is if a guardian for the individual listed in Box 1 has been court appointed. If a guardian for the person listed in Box 1 has been court appointed, guardian should sign, date and attach copy of court appointed guardianship papers with court seal visible.

Example IRS Form SS-4
Used to Obtain Federal Employer Identification Number for a Participant Hiring Employees and Using a Fiscal/Employer Agent

Note that the Agent is not liable per IRS Form 2678 until the IRS has authorized such in writing. IRS authorization usually occurs within 60 days of submitting this form. Programs should ensure that their administrative contract or provider agreement with the agent stipulates that the agent will withhold, deposit and file participant employer federal taxes even before the IRS has authorized such in writing.

Form 2678 Employer/Payer Appointment of Agent OMB No. 1545-0748
(Rev. October 2007) Department of the Treasury — Internal Revenue Service

Use this form if you want to request approval to have an agent file returns and make deposits or payments of employment or other withholding taxes or if you want to revoke an existing appointment.

- If you are an employer or payer who wants to request approval, complete Parts 1 and 2 and sign Part 2. Then give it to the agent. Have the agent complete Part 3 and sign it.

Note. This appointment is not effective until we approve your request. See the instructions for filing Form 2678 on page 3.

- If you are an employer, payer, or agent who wants to revoke an existing appointment, complete all three parts. In this case, only one signature is required.

For IRS use:

Part 1: Why you are filing this form...

(Check one)

☒ You want to **appoint** an agent for tax reporting, depositing, and paying.

☐ You want to **revoke** an existing appointment.

Part 2: Employer or Payer Information: If you want to appoint an agent or revoke an appointment, complete this part.

1 Employer identification number (EIN) -

2 Employer's or payer's name (not your trade name) **Person listed in Box 1 of Form SS-4 (employer)**

3 Trade name (if any)

4 Address **Physical address of employer**

Number Street Suite or room number

City State ZIP code

5 Forms for which you want to appoint an agent or revoke the agent's appointment to file. (Check all that apply.)

	For ALL employees/ payees	For SOME employees/ payees
Form 941, 941-PR, 941-SS (Employer's QUARTERLY Federal Tax Return)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Form 943, 943-PR (Employer's Annual Federal Tax Return for Agricultural Employees)	<input type="checkbox"/>	<input type="checkbox"/>
Form 944, 944-PR, 944-SS, 944(SP) (Employer's ANNUAL Federal Tax Return)	<input type="checkbox"/>	<input type="checkbox"/>
Form 945 (Annual Return of Withheld Federal Income Tax)	<input type="checkbox"/>	<input type="checkbox"/>
Form CT-1 (Employer's Annual Railroad Retirement Tax Return)	<input type="checkbox"/>	<input type="checkbox"/>
Form CT-2 (Employee Representative's Quarterly Railroad Tax Return)	<input type="checkbox"/>	<input type="checkbox"/>

Note: You may NOT appoint an agent to report, deposit, and pay taxes reported on Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return.

I am authorizing the IRS to disclose otherwise confidential tax information to the agent relating to the authority granted under this appointment, including disclosures required to process Form 2678. The agent may contract with a third party, such as a reporting agent or certified public accountant, to prepare or file the returns covered by this appointment, or to make any required deposits and payments. Such contract may authorize the IRS to disclose confidential tax information of the employer/payer and agent to such third party. If a third party fails to file the returns or make the deposits and payments, the agent and employer/payer remain liable.

Sign your name here **Print your name here** **Person listed in Part 2, Line 2***

Print your title here **Household Employer (HHCSR)**

Date **Best daytime phone**

This form is first used to appoint an agent. If the participant quits the program or transfers to a different F/EA, the existing agent should be revoked. Check box as appropriate.

Enter the EIN for the participant that was obtained with Form SS-4.

The participant or representative employer appoints an agent. Individual named here should match individual in Box 1 of Form SS-4.

Individual listed in part 2, Box 2 should sign, date and print name here. An exception is if a guardian for the individual listed in Part 2, Line 2 has been court appointed. If a guardian for the person has been court appointed, guardian should sign, date and attach copy of court appointed guardianship papers with court seal visible.

Example IRS Form 2678
Used for Participant to Appoint a VENDOR Fiscal/Employer Agent
Under Section 3504 of Internal Revenue Code

Form 2678 (Rev. 10-2007) Page **2**

Part 3: Agent Information: If you will be an agent for an employer or payer, or want to revoke an appointment, complete this part.

6 Agent's employer identification number (EIN) -

7 Agent's name (not trade name) Fiscal/Employer Agent's Name

8 Trade name (if any)

9 Address Fiscal/Employer Agent's Address

Number Street Suite or room number

City State ZIP code

☒ Check here if the employer is a disabled individual or other welfare recipient receiving home-care services through a state or local program.

Under penalties of perjury, I declare that I have examined this form and any attachments, and to the best of my knowledge and belief, it is true, correct, and complete.

X Sign your name here Print your name here F/EA Officer's Name

Date / / Print your title here F/EA Officer's Title

Best daytime phone () -

Form **2678** (Rev. 10-2007)

Complete with Fiscal/Employer Agent's Separate EIN. This EIN should *only* be used for serving as a Fiscal/Employer Agent and not for depositing employment taxes or filing returns for the Agent's own staff.

Only an individual with binding signatory authority for the Fiscal/Employer Agent should sign this form. Individual should sign, date, print name, title and best daytime phone number.

Example IRS Form 2678
Used for Participant to Appoint a VENDOR Fiscal/Employer Agent
Under Section 3504 of Internal Revenue Code

Section 1 is completed with participant or representative employer name, address, social security number and telephone information. This should be the same individual as named in Box 1 of Form SS-4.

Form 8821 (Rev. August 2008) Department of the Treasury Internal Revenue Service		Tax Information Authorization ▶ Do not sign this form unless all applicable lines have been completed. ▶ Do not use this form to request a copy or transcript of your tax return. Instead, use Form 4506 or Form 4506-T.		OMB No. 1545-0047 For IRS Use Only received by: name _____ telephone _____ function _____ date ____/____/____	
1 Taxpayer information. Taxpayer(s) must sign and date this form on line 7.					
Taxpayer name(s) and address (type or print) Participant or representative employer's name and address. Name should match Box 1 on IRS Form SS-4		Social security number(s) Rep or Part _____ _____ _____ Daytime telephone number () _____		Employer identification number _____ Plan number (if applicable) _____	
2 Appointee. If you wish to name more than one appointee, attach a list to this form.					
Name and address F/EA Staff Person's name, F/EA Name, Address Can have a total of three designees.		CAF No. _____ Complete if have CAF Telephone No. _____ Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>			
3 Tax matters. The appointee is authorized to inspect and/or receive confidential tax information in any office of the IRS for the tax matters listed on this line. Do not use Form 8821 to request copies of tax returns.					
(a) Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty	(b) Tax Form Number (1040, 941, 720, etc.)	(c) Year(s) or Period(s) (see the instructions for line 3)	(d) Specific Tax Matters (see Instr.)		
Income tax withholding and employment taxes	940, 941, 941x, W2, W2a, W3, W3c, 943	Quarters 1, 2, 3, 4 YYYY-YYYY	Tax Liability		
4 Specific use not recorded on Centralized Authorization File (CAF). If the tax information authorization is for a specific use not recorded on CAF, check this box. See the instructions on page 4. If you check this box, skip lines 5 and 6. <input checked="" type="checkbox"/>					
5 Disclosure of tax information (you must check a box on line 5a or 5b unless the box on line 4 is checked): a If you want copies of tax information, notices, and other written communications sent to the appointee on an ongoing basis, check this box <input checked="" type="checkbox"/> b If you do not want any copies of notices or communications sent to your appointee, check this box <input type="checkbox"/>					
6 Retention/revocation of tax information authorizations. This tax information authorization automatically revokes all prior authorizations for the same tax matters you listed on line 3 above unless you checked the box on line 4. If you do not want to revoke a prior tax information authorization, you must attach a copy of any authorizations you want to remain in effect and check this box <input type="checkbox"/> To revoke this tax information authorization, see the instructions on page 4.					
7 Signature of taxpayer(s). If a tax matter applies to a joint return, either husband or wife must sign. If signed by a corporate officer, partner, guardian, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute this form with respect to the tax matters/periods on line 3 above. ▶ IF NOT SIGNED AND DATED, THIS TAX INFORMATION AUTHORIZATION WILL BE RETURNED. ▶ DO NOT SIGN THIS FORM IF IT IS BLANK OR INCOMPLETE.					
Signature _____ Date _____ Employer Name _____ Household Employer Print Name _____ Title (if applicable) _____		Signature _____ Date _____ Print Name _____ Title (if applicable) _____			
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> PIN number for electronic signature		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> PIN number for electronic signature			
For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 11596P Form 8821 (Rev. 8-2008)					

Enter the EIN for the participant that was obtained with Form SS-4.

Enter the name of the F/EA staff person who is being appointed as a designee. Enter F/EA name and address. A single form 8821 can be used to appoint up to three separate F/EA staff people. Attach another sheet as necessary.

If the appointee has been assigned a CAF No. by the IRS, enter it here. If a CAF has not been assigned, leave blank and a CAF will be assigned and mailed to appointee.

Complete Section 3 as shown. Section 3.c must include individual quarters and can include up to 3 years. After 3 years, a new Form 8821 must be completed and submitted.

Complete Sections 4, 5 and 6 as shown. Individual listed in Section 1 signs and dates in Section 7, unless court appointed guardian exists for individual. If so, guardian signs and includes papers.

Example IRS Form 8821
Used for Participant to Designate Staff of
Fiscal/Employer Agent as Appointees for Employment Tax Purposes

At the top of each page of this form, write, "This return is filed under authorization granted in accordance with Section 3504 of the Internal Revenue Code".

Complete with Fiscal/Employer Agent's separate EIN. This EIN should *only* be used for serving as a Fiscal/Employer Agent. After Fiscal/Employer Agent's name, write *Household Employer Agent* for "Name of Program(s)"

Check box for the quarter represented on this return.

Enter the number of participants' employees paid in quarter. Do not include employees of Fiscal/Employer Agent.

Enter sum of total wages and other compensation paid to all participants' employees.

Enter total Federal Income Tax withheld from wages etc. reported in Box 2.

A Fiscal/Employer Agent would very rarely check Box 4. This would only happen if all employees either earned less than the FICA threshold for the year OR were FICA exempt family employees.

Form **941 for 2009: Employer's QUARTERLY Federal Tax Return** (Rev. January 2009) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

(EIN) Employer identification number -

Name (not your trade name) Fiscal/Employer Agent Name

Trade name (if any) Complete If Applicable

Address Fiscal/Employer Agent Address

Number Street Suite or room number

City State ZIP code

Read the separate instructions before you complete Form 941. Type or print within the boxes.

Part 1: Answer these questions for this quarter.

1 Number of employees who received wages, tips, or other compensation for the pay period including: Mar. 12 (Quarter 1), June 12 (Quarter 2), Sept. 12 (Quarter 3), Dec. 12 (Quarter 4)

2 Wages, tips, and other compensation

3 Income tax withheld from wages, tips, and other compensation

4 If no wages, tips, and other compensation are subject to social security or Medicare tax ☐ Check and go to line 6.

5 Taxable social security and Medicare wages and tips:

	Column 1	Column 2
5a Taxable social security wages	<input type="text"/>	<input type="text"/>
5b Taxable social security tips	<input type="text"/>	<input type="text"/>
5c Taxable Medicare wages & tips	<input type="text"/>	<input type="text"/>
5d Total social security and Medicare taxes (Column 2, lines 5a + 5b + 5c = line 5d)	<input type="text"/>	<input type="text"/>
6 Total taxes before adjustments (lines 3 + 5d = line 6)	<input type="text"/>	<input type="text"/>

In Box 5a and 5c, Column 1 enter all FICA taxable wages. Do not include wages that were lower than the FICA threshold for the year and have already had withheld FICA refunded (this would only happen for the 4th Qtr. 941). Nor enter wages paid to FICA exempt family employees.

Perform the multiplication shown and enter the product in Column 2.

Perform the calculation shown and enter the result in 5d.

Perform the calculation shown and enter the result in 6.

Note that if a single Fiscal/Employer Agent serves multiple participant direction programs, wages, taxes, employees etc. for all programs represented by the Fiscal/Employer Agent and its separate EIN should be reported on a single IRS Form 941. Records for each individual program should be maintained by Fiscal/Employer Agent.

Example of First Half of Page 1 of IRS Form 941
Used for Fiscal/Employer Agent
To File Employers' Quarterly Tax Return in Aggregate

Complete Sections 7a, 7b, 7c and 7d per IRS Form 941 Instructions.

Perform the calculation shown and enter the result in 8.

7 CURRENT QUARTER'S ADJUSTMENTS, for example, a fractions of cents adjustment. See the instructions.

7a Current quarter's fractions of cents

7b Current quarter's sick pay

7c Current quarter's adjustments for tips and group-term life insurance

7d TOTAL ADJUSTMENTS. Combine all amounts on lines 7a through 7c 7d

8 Total taxes after adjustments. Combine lines 6 and 7d 8

9 Advance earned income credit (EIC) payments made to employees 9

10 Total taxes after adjustment for advance EIC (line 8 – line 9 = line 10) 10

11 Total deposits for this quarter, including overpayment applied from a prior quarter and overpayment applied from Form 941-X or Form 944-X

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance reported on line 12a

13 Add lines 11 and 12a 13

14 Balance due. If line 10 is more than line 13, write the difference here 14
For information on how to pay, see the instructions.

15 Overpayment. If line 13 is more than line 10, write the difference here
Check one ☐ Apply to next return. ☐ Send a refund.

► You MUST complete both pages of Form 941 and SIGN it.

For Privacy Act and Paperwork Reduction Act Notice, see the back of the Payment Voucher. Cat. No. 17001Z Form 941 (Rev. 1-2009)

Enter the total Advanced Earned Income Credit paid to all participants' employees in the quarter.

Perform the calculation shown and enter the result in 10.

Enter total deposits made this quarter using EFTPS, an 8109 Coupon or other method. Ensure this value includes any overpayments from a prior qtr or 941X.

Complete lines 12a, 12b and 13 per instructions.

If a value is entered in Box 14, the Agent has not yet deposited taxes to fulfill its liability. See instructions and make payment as soon as possible to avoid penalties and interest.

If a value is entered in Box 15, the Agent has deposited more tax than is due. The Agent can apply the over-deposited tax to a future return or request that the US Treasury send a refund check.

Example of Second Half of Page 1 of IRS Form 941
Used for Fiscal/Employer Agent
to File Employers' Quarterly Tax Return in Aggregate

If Fiscal/Employer Agent represents participants in only one state, enter state abbreviation. If multiple states, enter "MU."

Enter Fiscal/Employer Agent's name and EIN as recorded on Page 1 of Form 941.

Agents are either monthly or semi-weekly depositors. It is critical to deposit per the correct schedule to avoid penalties and interest. See Publication 15, Circular E for information on when to deposit. If the Agent is a semi-weekly depositor, Schedule B must be completed.

Complete Section 17 per instructions. Note that the Agent's tax liability for a time period and the tax that was actually deposited for the time period may be different. Report liability, not deposits, in this section.

If the Agent will not serve as an Agent after this quarter, check the box on 18 and enter the last date that wages were paid to participants' employees.

Complete Part 4 per instructions. Complete Schedule B if Agent is a semi-weekly depositor and submit both pages of Form 941 and any schedules to the IRS based on Agent's location:
<http://www.irs.gov/file/article/0,,id=111163,00.html>

Form 941 (Rev. 1-2003)

Employer Identification Number (EIN) 950209

Part 3: Tell us about your deposit schedule and tax liability for this quarter.

If you are unsure about whether you are a monthly schedule depositor or a semi-weekly schedule depositor, see Pub. 15 (Circular E), section 14.

16 ☐ ☐ Write the state abbreviation for the state where you made your deposits OR write "MU" if you made your deposits in multiple states.

17 Check one: ☐ Line 10 is less than \$2,500. Go to Part 3.

☐ You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month. Then go to Part 3.

Tax liability: Month 1 .

Month 2 .

Month 3 .

Total liability for quarter . Total must equal line 10.

☐ You were a semi-weekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941): Report of Tax Liability for Semi-weekly Schedule Depositors, and attach it to Form 941.

Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.

18 If your business has closed or you stopped paying wages ☐ Check here, and enter the final date you paid wages: / / .

19 If you are a seasonal employer and you do not have to file a return for every quarter of the year ☐ Check here.

Part 4: May we speak with your third-party designed?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ Yes. Designee's name and phone number () - .

Select a 5-digit Personal Identification Number (PIN) to use when talking to the IRS.

☐ No.

Part 5: Sign here. You MUST complete both pages of Form 941 and SIGN IT.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign your name here Print your name here

Date / / Print your title here

Best daytime phone () -

Paid preparer's use only Check if you are self-employed ☐

Preparer's name Preparer's SSN/PIN

Preparer's signature Date / /

Client's name (or yours if self-employed) EIN

Address Phone () -

City State ZIP code

Page 2 Form 941 (Rev. 1-2003)

Example of Page 2 of IRS Form 941
Used for Fiscal/Employer Agent
to File Employers' Quarterly Tax Return in Aggregate

Complete with Fiscal/Employer Agent's separate EIN.

Check a box here as applicable.

Form 940 for 2008: Employer's Annual Federal Unemployment (FUTA) Tax Return 850108
Department of the Treasury — Internal Revenue Service OMB No. 1545-0028

(EIN) Employer Identification number -

Name (not your trade name) Fiscal/Employer Agent's Name

Trade name (if any) Complete if Applicable

Address Fiscal/Employer Agent's Address

Number Street Suite or room number

City State ZIP code

Read the separate instructions before you fill out this form. Please type or print within the boxes.

Part 1: Tell us about your return. If any line does NOT apply, leave it blank.

1 If you were required to pay your state unemployment tax in ...

1a One state only, write the state abbreviation 1a

- OR -

1b More than one state (You are a multi-state employer) 1b ☐ Check here. Fill out Schedule A.

Skip line 2 for 2008 and go to line 3.

2 If you paid wages in a state that is subject to CREDIT REDUCTION 2 ☐ Check here. Fill out Schedule A (Form 940), Part 2.

Part 2: Determine your FUTA tax before adjustments for 2008. If any line does NOT apply, leave it blank.

3 Total payments to all employees 3

4 Payments exempt from FUTA tax 4

Check all that apply: 4a ☐ Fringe benefits 4c ☐ Retirement/Pension 4e ☒ Other

4b ☐ Group-term life insurance 4d ☐ Dependent care

5 Total of payments made to each employee in excess of \$7,000 5

6 Subtotal (line 4 + line 5 = line 6) 6

7 Total taxable FUTA wages (line 3 - line 6 = line 7) 7

8 FUTA tax before adjustments (line 7 × .008 = line 8) 8

Part 3: Determine your adjustments. If any line does NOT apply, leave it blank.

9 If ALL of the taxable FUTA wages you paid were excluded from state unemployment tax, multiply line 7 by .054 (line 7 × .054 = line 9). Then go to line 12 9

10 If SOME of the taxable FUTA wages you paid were excluded from state unemployment tax, OR you paid ANY state unemployment tax late (after the due date for filing Form 940), fill out the worksheet in the instructions. Enter the amount from line 7 of the worksheet onto line 10 10

Skip line 11 for 2008 and go to line 12.

11 If credit reduction applies, enter the amount from line 3 of Schedule A (Form 940) 11

Part 4: Determine your FUTA tax and balance due or overpayment for 2008. If any line does NOT apply, leave it blank.

12 Total FUTA tax after adjustments (lines 8 + 9 + 10 + 11 = line 12) 12

13 FUTA tax deposited for the year, including any payment applied from a prior year 13

14 Balance due (If line 12 is more than line 13, enter the difference on line 14.)
• If line 14 is more than \$500, you must deposit your tax.
• If line 14 is \$500 or less, you may pay with this return. For more information on how to pay, see the separate instructions 14

15 Overpayment (If line 13 is more than line 12, enter the difference on line 15 and check a box below.) 15

Check one: ☐ Apply to next return.
☐ Send a refund.

▶ You **MUST** fill out both pages of this form and **SIGN** it.

Next ➔

For Privacy Act and Paperwork Reduction Act Notice, see the back of Form 940-V, Payment Voucher. Cat. No. 11234O Form 940 (2008)

If the Agent represented employers in multiple states, enter "MU" and complete a Schedule A. If the Agent only served employers in one state, enter that state in 1a.

Enter total gross wage payments made to all employees paid by the Agent in the calendar year.

Enter total gross wages exempt from FUTA. This is wages paid to employers who do not pay sufficient wages to be FUTA liable and wages paid to certain Family Employees (see IRS Pub. 15).

Follow instructions to complete and perform calculations in Boxes 7 through 15.

Example of Page 1 of IRS Form 940
Used for Fiscal/Employer Agent
To File Employers' Annual FUTA Tax in Aggregate

Complete with Fiscal/Employer Agent's name and separate EIN.

Name (not your trade name) _____ Employer Identification Number (EIN) _____

Part 5: Report your FUTA tax liability by quarter only if line 12 is more than \$500. If not, go to Part 6.

16 Report the amount of your FUTA tax liability for each quarter; do NOT enter the amount you deposited. If you had no liability for a quarter, leave the line blank.

16a 1st quarter (January 1 – March 31)	16a	<input type="text"/>
16b 2nd quarter (April 1 – June 30)	16b	<input type="text"/>
16c 3rd quarter (July 1 – September 30)	16c	<input type="text"/>
16d 4th quarter (October 1 – December 31)	16d	<input type="text"/>
17 Total tax liability for the year (lines 16a + 16b + 16c + 16d = line 17) 17	17	<input type="text"/> Total must equal line 12.

Part 6: May we speak with your third-party designee?

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

☐ Yes. Designee's name and phone number () -
Select a 5-digit Personal Identification Number (PIN) to use when talking to IRS

☐ No.

Part 7: Sign here. You MUST fill out both pages of this form and SIGN it.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that no part of any payment made to a state unemployment fund claimed as a credit was, or is to be, deducted from the payments made to employees. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

X Sign your name here

Date / /

Print your name here
Print your title here
Best daytime phone () -

Paid preparer's use only Check if you are self-employed ☐

Enter the Agent's aggregate liability for each quarter. Remember, for participants that become liable in a quarter after the first quarter, the participant's annual wages through the quarter in which the participant becomes liable are liable for FUTA.

If the Agent has a third party designee with whom the Agent permits to discuss this return on the Agent's behalf, enter the Third Party Designee's information in Part 6.

The preparer of the return must sign in Part 7. Note that the signatory declares that FUTA tax has not nor will be withheld from employees' wages. FUTA is an employer paid tax and must not ever be withheld from employee wages.

Example of Page 2 of IRS Form 940
Used for Fiscal/Employer Agent
To File Employers' Annual FUTA Tax in Aggregate

Complete with
Fiscal/Employer Agent
separate EIN.

Complete with
employee
SSN.

Gross wages paid to employee
for services to participant
employer listed in Box C.

Federal Income Tax withheld
for employer/employee
relationship.

22222		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9 Advance EIC payment		10 Dependent care benefits	
e Employee's first name and initial		Last name		Suff.	
f Employee's address and ZIP code		11 Nonqualified plans		12a	
		13 Statutory employee Retirement plan Third-party sick pay		12b	
		14 Other		12c	
				12d	
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax	
				18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	

Form W-2 Wage and Tax Statement **2009** Department of the Treasury—Internal Revenue Service

Enter the wages subject to Social Security taxes in Box 3 and the Social Security Tax withheld in Box 4 for the employer/employee relationship. Do the same for Medicare taxes in boxes 5 and 6. If the employer was served by only one F/EA during the year, Box 3 and Box 5 must not be greater than \$0 but less than \$1700.

Enter Advanced Earned Income paid to the employee for the employer/employee relationship, as applicable.

Enter Agent's Name "for <<Participant Employer's Name>>", then enter Agent's mailing address associated with Agent's separate EIN.

Enter all applicable employee information.

In Box 15 A, enter the state(s) in which the participant employer paid State Income Tax for the employee on this Form W-2. Enter the participant employer's individual State Income Tax withholding account number unless the Agent has an arrangement in the state to file and pay State Income Tax withholding in aggregate.

Enter State and Local wages and withheld income tax for this employer/employee relationship.

The Fiscal/Employer Agent must issue a separate Form W-2 for each participant employer/employee relationship. If, for example, an individual employee works for three different participant employers, the employee must receive three separate Forms W-2. Each W-2 represents the wages paid by and taxes withheld for each individual employer/employee relationship.

Example of IRS/SSA Form W-2
Used for Fiscal/Employer Agent
To Report Employee Tax and Wage Statement to
Employees, IRS/SSA and States