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Benefits Buzz

February 2011

Hello,

The "Benefits Buzz" for February 2011 is here! The benefits buzz brings to you monthly news on including legislative updates and seasonal topics.

In this issue:

- Did you know? - Fully Insured group health plans will be subject to federal nondiscrimination rules
- IRS Guidance: Independent Contractors
- Lower Payroll Tax Could Boost 401(K) Savings

To read the full "Benefits Buzz" Click here: [Benefits Buzz - February 2011](#)

About Suhr Risk Services

Suhr Risk Services has been a presence in the Bay Area for over a century and has expertise in Property & Casualty, Workers' Compensation, Employee Benefits, Life & Estate and Personal Insurance. The primary niches for Suhr Risk Services include: Non-Profits, Specialty Construction, Grocers/Food Processing, Wholesale Suppliers, Equipment Rental Firms and Workers' Compensation.

We are trusted advisors to both local and national clients, as well as numerous trade associations, and advocates for policyholder rights before California insurance regulators. Suhr Risk Services has been featured in the Insurance Journal's Top Property and Casualty Agencies in the United States and has twice been voted one of the Bay Area's best places to work. Suhr Risk Services has been recently named a Best Practices agency by the Independent Insurance Agents and Brokers of America.

For more information please contact:

Greg Dobson, Senior Vice President
Employee Benefits Division
Suhr Risk Services
5300 Stevens Creek Boulevard, Third Floor
San Jose, California 95129
Toll-free: 800-788-1170
Direct: 408-510-5454
Email: greg.dobson@insuhr.com
Web address: www.insuhr.com

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Suhr Risk Services | 5300 Stevens Creek Boulevard | Third Floor | San Jose | CA | 95129

Benefits Buzz

Benefits and HR tips brought to you by the insurance professionals at Suhr Risk Services of California Insurance Brokers.

DID YOU KNOW?

Under health care reform, fully insured group health plans will be subject to federal nondiscrimination rules for the first time, representing a major change for those plans.

Due to ambiguity regarding this provision, the IRS has delayed the application of the new nondiscrimination rules until after regulations are issued. Those regulations will provide a new effective date.



SUHR RISK SERVICES
of California
INSURANCE BROKERS

IRS Guidance: Independent Contractors

Knowing the difference between an employee and an independent contractor is essential. The IRS provides seven things business owners should know:

1. The IRS uses three factors to determine the relationship between businesses and workers:
 - **Behavioral control** – Does business have right to direct how the work is done through training, instructions, etc.?
 - **Financial control** – Does the business have the right to control the financial and business aspects of the worker's job?
 - **Type of relationship** – How do the workers and business owner perceive their relationship?
2. If you have the right to control not only what is to be done, but also how it is done, your workers are likely employees.
3. If you can direct only the result of the work done (not means of accomplishing the result), your workers are probably independent contractors.
4. Employers who misclassify workers as independent contractors can end up with substantial tax bills and face penalties.
5. Workers can avoid higher tax bills and lost benefits if they know their proper status.
6. Both employers and workers can ask the IRS to determine whether the individual is an employee or independent contractor, by filing a Form SS-8.
7. To learn more, visit the IRS website: www.irs.gov/businesses/small/article/0,,id=99921,00.html.

Lower Payroll Tax Could Boost 401(k) Savings

In December 2010, President Obama signed into law a tax bill that included a one-year reduction in workers' Social Security taxes, from 6.2 percent in 2010 to 4.2 percent in 2011.

Essentially, this increases the take-home pay for American workers, creating an excellent opportunity to promote greater 401(k) or 403(b) savings.

Plan sponsors should consider encouraging employees to increase their plan contributions by the same amount of the tax savings, putting more money into their retirement fund without lowering their normal take-home pay.

Educate employees about this tax benefit and the advantages to contributing more to their retirement fund, even if just for one year. One year of increased saving can make a significant difference, especially for employees decades away from retirement.