

**Letter from County of San Bernardino
dated June 21, 2013**

Attachment 1

AUDITOR-CONTROLLER/ TREASURER/TAX COLLECTOR



COUNTY OF SAN BERNARDINO

- 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830
- 172 West Third Street, First Floor
San Bernardino, CA 92415-0360 • (909) 387-8308 • Fax (909) 387-6716

LARRY WALKER
Auditor-Controller/
Treasurer/Tax Collector

June 21, 2013

RECEIVED
JUN 25 2013

LAFCO
215 North D Street, Ste 204
San Bernardino, CA 92415-0490

LAFCO
San Bernardino County

Re: Payroll & Accounting Services Contract Revision– Action Required

Recent changes in Employer reporting requirements make it necessary for the County to restructure its existing contract's for Payroll and Accounting Services with Special Districts that operate independently. On December 28, 2012, the Internal Revenue Service (IRS) issued a proposed regulation regarding the Affordable Care Act (ACA) Shared Responsibility provisions, which affect large employers (generally those with at least 50 full-time equivalent employees). Recent announcements focus on several key elements and the rules concerning new employer responsibilities. Responsibility provisions, under section 4980H of the Internal Revenue Code (IRC), have been added as a result of ACA. Beginning in 2014, new IRS Shared Responsibility assessments will apply to large employers that do not offer qualifying health coverage to all full-time employees, and their dependents, beginning in 2015. These IRS assessments will be based in part on the number of employees who qualify as full-time under the ACA.

As a result of the new Internal Revenue Code, a change to the existing payroll reporting relationship must be established. Under the prior structure our office was considered the "Agent" (IRS form 2678) of a contracted payroll entity. With the new responsibility provisions this reporting relationship will change to "Reporting Agent" (IRS form 8655). This new reporting relationship will need to be represented in our contract for Payroll and Accounting services. Payroll will continue to be processed in the same manner, but it will now be reported under the Special Districts unique Federal and State Employer Identification Number (EIN) and not under the County's. Under Form 8655 arrangements, the district remains liable for ensuring all tax returns are filed timely and all deposits and payments are made timely.

The district will have the option to terminate its reporting relationship with the County and deposit and pay its' own federal and state tax liabilities, as it currently does for disability and unemployment taxes. If your district decides to continue contracting payroll services through the county we will need to be notified no later than July 24, 2013, so we can negotiate a new contract. The County intends for the new contract to become effective, on October 1, 2013. Under the new contract we will continue to deposit and pay tax liabilities on behalf of each client, using each client's separate Federal and State EIN. As always, efficiencies in processing payroll are meant to be shared with our clients and will continue to be. However, when there is an additional level of effort needed that is specific to the service being provided, those costs must be passed on to the client.

To accommodate the change for reporting separately, a few steps will need to be taken. Many of the Special Districts have already gone through a similar process in securing their State EIN for State Unemployment Insurance (SUI) and State Disability Insurance (SDI) reporting and their Federal EIN for meeting the terms of the existing contract. A portion of these steps were necessary under the existing agreement. ***If you have not done so already, please follow these steps:***

- 1) District is required to provide its Federal Employer Identification Number (FEIN) to ATC Central Payroll for reporting social security, Medicare, and employment taxes. Separate State Employer Identification Numbers (SEIN) for each, reporting personal income tax withholding (PIT), unemployment insurance (SUI), and/or State Disability Insurance (SDI).
- 2) District is required to complete Internal Revenue Service Form 8655 appointing County as its Reporting Agent to establish the new reporting relationship.

To obtain a FEIN:

Apply online by visiting www.irs.gov/businesses and following these steps:

- Under Business Topics on the left of the page, click on [Employer ID Numbers](#)
- In the middle of the page, click on [Apply for an EIN Online](#)
- In the middle of the page, click on [Apply Online Now](#)

If you choose not to apply online for a FEIN, you can complete the enclosed **IRS Form SS-4, Application for Employer Identification Number**. You are required to provide information on lines 1, 2, and 4a-5b. Instructions for completing this form are attached to the form. Further instructions are located online at www.irs.gov/pub/irs-pdf/iss4.pdf. After receipt and processing, the IRS will send you a FEIN.

To obtain a SEIN:

The district should obtain separate State Employer Identification Numbers (SEIN) for personal income tax (PIT) reporting, State Unemployment Insurance (SUI) and/or State Disability Insurance (SDI). Apply online by visiting www.edd.ca.gov/Payroll_Taxes/More_e-Services_for_Business_Information.htm

After obtaining a FEIN and registering your SEIN, the County also requires that your district complete the enclosed **IRS Form 8655, Reporting Agent Authorization (RA)** and **EDD Form DE48, Power of Attorney Declaration**. These forms appoint the County as your district's reporting agent. You will need your existing/new FEIN to complete these forms. It is the responsibility of the Special District to ensure that it is done in a timely manner.

IRS Form 8655:

On Form 8655, please complete all items excluding number 9 through 14, which we have already completed for you. Once completed, please mail your Form 8655 to the Auditor-Controller/Treasurer/Tax Collector's office at the following address:

County of San Bernardino
Auditor-Controller/Treasurer/Tax Collector
Attn: Central Payroll Accountants
222 W. Hospitality Lane, 3rd Floor
San Bernardino, CA 92415-0030

The Auditor-Controller/Treasurer/Tax Collector will submit the appropriate paperwork to the IRS, once received from the district establishing the Reporting Agent relationship. A copy of the approved form will be mailed back to you.

EDD Form DE48:

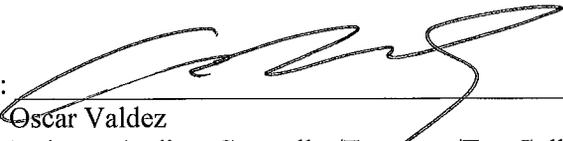
Complete Form DE48, Sections I and IV. After signing the form, make 2 copies and mail the original Form DE48 to the EDD at the address below, Please keep one copy for your files and send the other copy to ATC Central Payroll at the mailing address above.

Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280-0001

The County intends to make the changes for reporting separately by October 1, 2013. Until then, the current process of filing your tax returns and making deposits or payments using the county's ID numbers will remain in place. Please contact Suzanne Lopez, Central Payroll Accountant, at (909) 386-8770 or Suzanne.lopez@atc.sbcounty.gov, if you have any questions regarding this process. Thank you for your cooperation.

Sincerely,

Larry Walker
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County

By: 
Oscar Valdez
Assistant Auditor-Controller/Treasurer/Tax Collector

LDW:OV:VJD:JJ:oac

Enclosure