

Rogue Valley Chapter

February Program: Talent Management for 2010



Turnover is an expensive part of doing business at the best of times. In the coming months, there is forecast to be a “perfect storm” for accelerating turnover. Organizations have frozen or reduced compensation recently and cut back in other ways which have reduced employee satisfaction and engagement. The economic downturn has also lead many baby boomers to delay retirement.

As the economy recovers, many employees will be motivated to quit or retire, resulting in an exodus of talent. Organizations need to be anticipating the effects of this potential “brain drain” and implementing plans to avoid loss of business knowledge and expertise, damaged customer relationships, and excessive costs related to recruiting and ramping up new talent.

Talent Management integrates the organization’s Strategic Plan with Workforce and Succession Planning, Training and Development, and Recruitment. It goes beyond HR and involves all functions of the organization in ensuring adequate access to talent to meet future business plans.

RCC/SOU Higher Education Center
101 S. Bartlett (corner of 8th & Riverside)

7:30am - 8:00 am Networking
8:00am - 9:00 am Program

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Hour 1:

- A presentation of the labor and economic landscape which will create the “brain drain” in the next few years, and the related importance of Talent Management.
- A review of the Strategic nature of Talent Management and the combination of functions and strategies involved:
 - o Strategic Planning
 - o Workforce & Succession Planning
 - o Training and Development
 - o Recruitment and other Talent Sourcing strategies
 - o Retention Strategies

Hour 2:

- Small group discussions and reports to full group focused on:
 - o Best Practices and resources for Talent Management,
 - o How to advocate for an integrated approach to Talent Management at your organization.

**Presented by Guy Perrin, Centerpoint
February 25, 2010 (this is a 2 hour presentation)**

Tax Credit for New Hires May Gain Steam

1/29/10

In his State of the Union address on January 27, President Obama firmly announced his support for legislation to provide a tax credit for companies that hire additional employees. The President's proposal, which was announced following his address to Congress, would provide a \$5,000 tax credit for every new employee hired in 2010. This proposal would be retroactive to January 1. In addition, companies that increase the number of hours worked would be reimbursed for Social Security tax payments made on real payroll increases. The amount of tax credits received by any one company would be capped at \$500,000 for the year. The proposal also contains provi-

sions designed to prevent companies from fraudulently claiming the tax credit. Senators are currently preparing legislation that will contain a tax credit for new hires. The details of this proposal are currently being negotiated among Senate Democrats. But sources have indicated that the legislation is likely to provide:

- 20 percent tax credit for companies with fewer than 100 employees that hire a new employee; and
 - 15 percent tax credit for larger companies.
- The total amount of tax credits any one company could receive would be capped at \$350,000. The Senate could consider this proposal as early as next week.

In addition to the tax credit

for new hires, Senators Charles Schumer (D-NY) and Orrin Hatch (R-UT) have proposed:

- waiving the Social Security payroll tax for any employer that hires a new employee in 2010; and

- offering an additional \$1,000 tax credit in 2011 if the employee is kept on the payroll for 52 continuous weeks.

This proposal would apply to private sector employees only, and any employer that had a lower total payroll in 2010 than in 2009 would have to forfeit the tax benefit.

The House-passed "Jobs for Main Street Act," which is currently pending before the Senate, does not contain a tax credit for new hires.

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The Employment Tax National Research Program- Ripple or IRS Tsunami?

2/2/2010

In February 2010, the Internal Revenue Service (IRS) with little official fanfare and no real advance warning, is starting a "national research project" to study (1) payroll taxes, (2) fringe benefits, (3) independent contractors, (4) expense reimbursements and (5) other related "payroll" issues.

Use of the phrase "National Research Project" seems fairly innocuous and is easily confused with the IRS' more benign National Research Program. The goal of the latter is to design a strategy to collect data that will be used to measure filing and reporting compliance with the guiding principle "to minimize taxpayer burden as data

are [sic] collected."

The IRS will unleash three separate waves of audits targeting 2,000 taxpayers per year.

Confusion of the National Research Project with the National Research Program may be the IRS' intent, because there have been few public statements that actually describe what is in reality a massive audit initiative.

'Headliner 280'

As the rumored audits have drawn closer, the IRS finally published "Headliner Volume 280" describing in only the vaguest terms the audits being unleashed over the next three years. The National Research Program only created ripples in the vast sea of

issues that taxpayers must address and many advisors have drawn the same conclusion with respect to the current initiative since the programs have similar names.

Tsunamis are feared for their devastating impact upon unsuspecting populations. There are few observable signs of the devastation that they will wreak until they approach landfall with increasing amplitude and unstoppable force. Likening this project to a tsunami is an apt description.

The IRS "headliner" confirms to the careful reader the extent of the audits that are about to be unleashed on unsuspecting taxpayers. IRS Headliner 280 verifies the warnings that we have been giving and previously raised

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that the IRS will unleash three separate waves of audits targeting 2,000 taxpayers per year.

Two Stated Goals

The payroll tax and self-employment tax gap have been reported as being more than \$200 billion annually. Due to this obvious compliance concern, the headliner indicates that the Employment Tax National Research Project has two stated goals: (1) to secure statistically valid information for computing the employment tax gap, and (2) to determine compliance characteristics so the IRS can focus on the employment tax areas in which there is the greatest noncompliance. Unlike the National Research Program, the Employment Tax National Research Project will conduct examinations that will be “comprehensive in scope” and there will be little regard for the burdens imposed on employers.

The depth and breadth of these payroll tax audits are unlike any other audits the IRS has undertaken since the 1980s. Taxpayers will be caught by surprise that a payroll tax audit will seek to analyze taxpayers on targeted issues:

- Independent contractors.
- Fringe benefits.
- Expense reimbursements.
- Executive compensation benefits.

Audits’ Broad Scope

Like a tsunami, the IRS will not be discriminatory regarding the taxpayers it engulfs. The audits will occur in every geographic region of the country and will target both large and small taxpayers.

Whether publicly traded or privately owned, large or small, in the red or in the black, for-profit or nonprofit, public sector or private sector, all are and will be potential targets. For example, the IRS has indicated that 330 governmental entities will be audited during this process.

Although outwardly there will appear to be no rational basis for some of the audit targets, be assured that the IRS has very carefully chosen its targets in a “statistically valid” manner. The widespread and large number of targeted taxpayers conforms with the IRS’ wish to collect not only revenue to close the tax gap, but—more importantly from its perspective—to collect data for the long-term to help it understand recurring patterns of compliance and noncompliance so it can better direct its regulatory, audit and litigation resources.

As former managers of the IRS National Office’s employment tax and fringe benefits practice group, we have more combined IRS National Office experience and authority over these targeted issues than all other private-sector attorneys combined. As such, we are not surprised by the targeted issues.

In fact, the targeted issues are a natural outgrowth of the IRS National Office’s own practice structure and enforcement resources. After having spent so much time in the IRS National Office addressing and interpreting the safe harbors, relief provisions and settlement programs that are unique to the targeted issues, we are, however, surprised by the scope and breadth of these draconian

audits—especially given the current economic environment and the undue hardship that the audits will impose on taxpayers. Even the most conservative taxpayers and those most closely in compliance will not be spared the expense of defending themselves in one of these “comprehensive” audits, since the IRS is trying to collect detailed audit data even from conservative taxpayers.

One official described these audits to us as “excruciating.” Given what we have learned about this payroll tax initiative and its three different waves, we will be devoting future columns to the audit initiative in the months ahead.

David R. Fuller is a partner in the employee benefits and executive compensation practice of Morgan Lewis & Bockius LLP’s Washington, D.C., office. He is a contributing editor of Thompson Publishing Group’s Employer’s Guide to Fringe Benefit Rules and Thompson Publishing Group’s Employer’s Handbook: Complying With IRS Employee Benefits Rules. Jerry E. Holmes is senior counsel in the employee benefits and executive compensation practice, based in the Washington, D.C., office of Morgan Lewis & Bockius LLP. In the past, he served as an IRS branch chief for 15 years, and in that capacity, handled nearly every major fringe benefit and employment tax issue. He is a contributing editor of the Guide.

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