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LEGISLATIVE UPDATE

## Eye on Washington

# ILLINOIS WILL REQUIRE MONTHLY ELECTRONIC WAGE REPORTING IN 2013

On May 24, 2012 the Illinois legislature substantially amended and passed Senate Bill 2840 to address "waste, fraud, and abuse ... improve program integrity for Medicaid; and comply with program integrity provisions of the federal Patient Protection and Affordable Care Act ." The amendment included a new mandate for monthly electronic reporting of wages by employers with 250 or more employees, beginning January 2013, and permits the Illinois Department of Employment Security (IDES) to extend this requirement to employers with fewer than 250 workers in the future. The bill was signed into law on June 14th and is now Public Act 97-0689, the Save Medicaid Access and Resources Together (SMART) Act.

### Background

The Act was driven by the need to control Medicaid spending and prepare for the Patient Protection and Affordable Care Act (ACA; also known as Health Care Reform). Although the monthly wage reporting change only currently affects large employers in Illinois, many other states face similar challenges, and the Illinois law may be closely monitored as a possible model in the context of Medicaid spending and ACA administration. The monthly reported wage information is also anticipated to assist in determining an individual's eligibility for premium tax credits under the ACA for the purpose of purchasing health care coverage.

Shifting wage reporting to a more frequent basis may have a substantial impact on payroll operations of affected employers, including those that rely on a service provider such as ADP to file unemployment insurance wage reports. Payroll administrators conduct a thorough process quarterly and annually to gather and process not just cash wage information, but valuations of many types of non-cash benefits and other compensation that are reportable and taxable under the various state laws. Examples include disability pay, certain retirement contributions, nonqualified deferred compensation, stock plans, employee relocation, health insurance and COBRA, medical and dependent care flexible spending accounts, personal use of company vehicles, parking and transportation fringes, taxable living and travel expenses and recognition awards. Some of these forms of reportable compensation are administered by third parties, which may necessitate additional coordination to obtain reportable wage amounts. Affected Illinois employers may have to gather and input to their payroll systems all reportable compensation twelve times annually rather than four.

### Also Affected

Another section of the SMART Act requires employers to report estimated monthly earnings of new hires. All employers are currently required to report the name, Social Security number and other details to the state within a few days of hiring a new worker. The addition of estimated earnings is intended to assist in identifying potential Medicaid overpayments.

ADP is in the process of obtaining additional information from the IDES regarding technical details of complying with these changes. Further details will be communicated in an upcoming *Eye on Washington*.

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