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WHAT YOU NEED TO KNOW ABOUT THE FEDERAL NEW-HIRE REPORTING REQUIREMENTS

By: Matt W. Zeigler, Esq.

- The recently enacted welfare reform legislation, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), requires employers to report certain information on their newly hired employees to a designated State agency.
- **What is New Hire reporting?**

New Hire reporting is a process by which you, as an employer, report information on newly hired employees to a designated State agency shortly after the date of hire. As an employer, you will play a key role in this important program by reporting all of your newly hired employees to your State.

- **What will be done with the New Hire information?**

States will match New Hire reports against their child support records to locate parents, establish an order, or enforce an existing order. Once these matches are done, the State will transmit the New Hire reports to the National Directory of New Hires (NDNH).

State agencies operating Employment Security and Workers' Compensation Programs may also have access to their State New Hire information to detect and prevent erroneous benefit payments. In addition, the State can conduct matches between the New Hire database and other State programs to prevent unlawful or erroneous receipt of public assistance payments.

- **What is the expected outcome of this New Hire reporting system?**

The Department of Health and Human Services (DHHS) has estimated that a New Hire program will increase national child support collections by \$6.4 billion over the next ten (10) years.

Prior to the passage of PRWORA, twenty-six (26) States already had New Hire reporting. These programs resulted in significant increases in child support collections; reductions in welfare payments; and millions of dollars saved in Medicaid, Food Stamps and unemployment insurance claims.

- **Do I need to submit a New Hire report for independent contractors and subcontractors performing services for me?**

You must first make the determination of whether or not there is an existing employer/employee relationship. If the work being performed is based on a contract rather than an employer/employee relationship, you are not required to report. In such circumstance, the contractor is responsible for reporting his/her employees.

- **When are States required to establish their New Hire programs?**

By October 1, 1997, all States are required to establish New Hire Reporting programs. Currently, twenty-six (26) States have some form of New Hire reporting and these States have until October 1, 1998 to make all aspects of their program conform with the minimum Federal requirements of PRWORA.

- **How soon must I submit a report after hiring someone?**

Federal law mandates that New Hire be reported within twenty (20) days of the date of hire. However, States are given the option of establishing reporting timeframes that may be shorter than twenty (20) days. You must adhere to the reporting timeframe of the State to which you report.

- **What form do I use to send in my New Hire reports?**

Reports must be made either on the W-4 form or, at your option, an equivalent form developed by you. A State may develop an alternate form for reporting, but its use is optional.

- **What must be reported on each New Hire report?**

Each New Hire report must contain the six data elements found on the W-4 form:

- Employee name, address and Social Security number
- Employer name, address and Federal Employer Identification number.

- **Do I need to do a New Hire report on a newly-hired individual who quits before the New Hire report is due?**

Yes. Because the employer/employee relationship existed and wages were earned, a New Hire report must be submitted. Even though the employment period was short, the reported information may be the key to locating a non-custodial parent.

- **Where and how do I send the information?**

New Hire reports should be sent to the State Directory of New Hires in the State where the employee works. Federal law identifies three methods for submitting New Hire information: first class mail, magnetic tapes, or electronically. For employer

convenience, States may offer additional options such as fax and Internet transmissions. You will receive information from your State with instructions on where and how to send the New Hire information. Federal employers must report New Hire data directly to the National Directory of New Hires.

- **Are there different reporting timeframes for employers who will submit New Hire reports electronically? What record layout should I use?**

If you are an employer who is sending reports in by magnetic tape or electronically, two monthly transmissions must be made which are not less than twelve (12) nor more than sixteen (16) days apart. You should contact the State where you will be submitting your New Hire reports for all technical information regarding electronic reporting.

- **Are there penalties for employers who do not report New Hires?**

States have the option of imposing civil monetary penalties for noncompliance. Federal law mandates that if a State chooses to impose a penalty on employers for failure to report, the fine may not exceed \$25 per newly hired employee. If there is a conspiracy between the employer and the employee not to report, the penalty may not exceed \$500 per newly hired employee. States may also impose non-monetary civil penalties under State law for noncompliance.