

THE SMALLBIZ BUILDER

Planning For Your Dreams



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PADGETT BUSINESS SERVICES®

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This Month:

- Are Retirement Plan Distributions Subject To Withholding?
 - Employing Youth
 - Prepare for Summer Storms!

Are Retirement Plan Distributions Subject To Withholding?

Distributions from an employer-sponsored retirement plan may or may not be subject to withholding. In some cases, withholding is mandatory and in others, the recipient can elect out.

Eligible Rollover Distributions. In general, the payor of any designated distribution that is an eligible rollover distribution must withhold an amount equal to 20% of the distribution. The recipient may not elect out of the withholding requirement.

- Exception: Eligible rollover distributions are not subject to withholding if expected distributions are less than \$200 for the year. Also, 20% withholding generally only applies to any previously untaxed amount. The most important exception by far is that no withholding is required if the plan directly rolls over (in a trustee-to-trustee transfer) the eligible rollover distribution amount to another qualified retirement plan or IRA.

Periodic Payments. The payor of a periodic payment (one made at regular intervals for more than one year) that isn't an eligible rollover distribution must withhold from the payment as if it were a wage payment for the appropriate payroll period.

- Exception: Generally, the plan administrator must withhold at the rate for a married individual with 3 withholding exemptions. However, recipients have the right to elect no withholding or elect to have a different amount withheld and revoke the election at any time.

Nonperiodic Payments. A nonperiodic payment is a distribution that usually isn't made at regular intervals and isn't an eligible rollover distribution. Nonperiodic payments generally are subject to 10% withholding.

- Exception: The recipient may elect no withholding or have a different amount withheld by filing a Form W-4P with the plan administrator.

Reminder: Distributions from designated Roth accounts in 401(k), 403(b), or 457(b) plans have no withholding requirement because the distribution is not taxable. If a nonqualified distribution is made from such an account, withholding is required only from any distributed earnings that the recipient must include in gross income.

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Employing Youth

Each June, millions of youth begin their search for a summer job. Before hiring any summertime help, it's a good idea to be aware of the Federal and State laws governing youth in the workplace. The Fair Labor Standards Act (FLSA) youth employment provisions are designed to protect young workers by limiting the types of jobs and the number of hours they may work, based on the age of the minor. The following provisions apply to nonagricultural occupations:

18 Years of Age. Once a youth reaches 18, the Federal child labor provisions no longer apply to them – they can work any job for any number of hours.

16 & 17 Years of Age. Under the FLSA 16- and 17-year olds may work on any day for any number of hours. However, individual states may limit the hours or the times of day that anyone under the age of 18 may work. Also, all youth under the age of 18 are prohibited from working any non-farm jobs deemed hazardous.

14 & 15 Years of Age. 14 and 15-year olds may work:

- Non-school hours;
- 3 hours on a school day;
- 18 hours in a school week;
- 8 hours on non-school day;
- 40 hours in a non-school week; and
- Between 7 a.m to 7 p.m. (except June 1-Labor Day when hours are extended to 9 p.m.)

If you are about to hire a youth and need assistance building a summertime schedule that follows the youth employment provisions, contact us.



Prepare for Summer Storms!

Power outages can wreak havoc on electronic files. Safeguard your personal and business assets by taking the following steps:

Back up your records electronically. Keep a set of backup records stored away from the original set. Remember to scan paper documents into an electronic format!

Document valuables. Photograph or video the contents of your home or business, especially items of higher value, to prove the market value of items for insurance and casualty loss claims.

Update emergency plans. Emergency plans should be reviewed annually and distributed to all employees. Don't forget the new hires!

Maintain current contact information for employees and customers. Ensure that you can communicate with employees and clients in the event of business disruption. Email is your best method when the phones are down!

Know how to get help. Federal and State agencies can offer assistance, such as FEMA, the Small Business Association, and the Department of Homeland Security. IRS publication 2194, Disaster Resource Guide for Individuals & Businesses, contains information and form needed to claim a casualty loss.

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PADGETT BUSINESS SERVICES® is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.



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