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many federal contractors has made payroll compliance more complex than ever.

Bill Kennedy • Oct. 09, 2014

The Affordable Care Act and changes to the minimum wage in many states and for many federal contractors has made payroll compliance more complex than ever. For 2014, the ACA (aka ObamaCare), and its health insurance exchanges and tax credits, had the biggest impact on payrolls across the country:

- Market reforms to health (HRA), flexible spending (FSA) and other healthcare arrangements,
- Minimum value determination, and
- Increasing tax credits when the employer contributes at least half of the employee-only premium

Thank goodness there is some relief in the informational reporting requirements, which go into full effect in 2015.

CPA Practice Advisor reviewed the key payroll software packages designed for accounting and payroll service providers, with the exception of CompPay/BenefitMall. Since merging in 2013, they have been working on a new version to complement the enhanced online usability and real-time calculations of the new version of BenefitMall, released in July, 2014.

On the whole, this was a consolidation year for payroll systems, with developers focusing on improving the online calculations and user experience of their cloud based solutions. This year's reviews include:

- [AccountantsWorld Payroll Relief](#)
- [ADP Run for Accountants](#)
- [Advanced Micro Solutions 1099-Etc](#)

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Recent legislation in thirteen states to raise the minimum wage, various increases in some cities across the country, and news that an executive order may soon mandate an increase on federal contracts, means small business owners will face yet another challenge to build, sustain and grow their business in a difficult economic environment.

If the federal minimum wage increases, 31 states that do not have a higher minimum wage would be mandated to a new federal standard. Right now, the Congressional wage bill is seeking \$10.10 as the federal minimum. In an election year, expect to hear a great deal more on the subject. Small business owners can take steps to mitigate the impact.

Here are six steps to prepare for potential negative impact.

1. Understand profit margins, projections and business requirements to ensure profitability.
2. Determine permanent hiring vs. contracting decisions for staffing needs.
3. Make good hiring decisions – mistakes can be costly since training/onboarding new employees is a considerable investment.
4. Invest in employees – turnover decreases productivity and increases business costs.
5. Be sure to employ time and cost saving tools to standardize back office tasks.
Consider outsourcing to easy affordable services that allow you to focus on growing business not administrative functions.
6. Research competition and adjust pricing accordingly.

Bill Kennedy, CPA, CA is founder of Energized Accounting, an accounting and consultancy group focused on helping small businesses.

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