



2019 Payroll Year End Update

Payroll Service Team

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Payroll Compliance Resources

- Accessed on the *Resources* tab under the *Business Compliance* section on our website: www.AcuityCPAs.com
- The Payroll Year End Webinar Materials has its own page
- Payroll Manual - Password to access: Call our office for password

General Payroll Information Brochure

GENERAL PAYROLL INFORMATION

	2020	2019
Wages Subject to Social Security/Medicare Taxes		
Social Security Portion	\$137,700	\$132,900
Medicare Portion	All Wages	All Wages
Employee Social Security Tax	6.20%	6.20%
Employee Medicare Tax		
Standard	1.45%	1.45%
Additional Tax on Wages Above \$200,000	0.90%	0.90%
Employer Social Security/Medicare Tax		
Social Security	6.20%	6.20%
Medicare	1.45%	1.45%
Special Federal Income Tax Withholding Rates		
Backup	24%	24%
Supplemental	22%	22%
Wages Subject to Unemployment Tax		
PA Employer	\$10,000	\$10,000
PA Employee	Unlimited	Unlimited
Federal Employer	\$7,000	\$7,000
Unemployment Tax Rates		
PA Employee Withholding	0.06%	0.06%
PA Employer Rate	AS ASSIGNED	
Federal Employer Rate	0.60%	0.60%
PA Withholding Tax Rate	3.07%	3.07%

Local Withholding Tax Rates
To determine rates, go to:
<http://munstatspa.dced.state.pa.us/>

	2020	2019
Retirement Plan Deferral Limits		
401 (k)/403(b)/457 Plans		
Under Age 50	\$19,500	\$19,000
Age 50 and Older	\$26,000	\$25,000
SIMPLE Plan		
Under Age 50	\$13,500	\$13,000
Age 50 and Older	\$16,500	\$16,000
Maximum Retiree Can Earn Without a Reduction in Social Security Benefits		
At Less Than Normal Retirement Age (NRA)	\$18,240	\$17,640
At FRA	Unlimited	Unlimited
In year FRA is reached	\$48,600	\$46,920
For definition of "Normal Retirement Age" go to: www.ssa.gov/planners/retire/ageincrease.html		
Federal Per Diem Rates CONUS		
Meals & Incidental Expenses (M&IE)-effective 10/1		
Standard	\$55.00	\$55.00
Transportation Industry	\$66.00	\$66.00
Federal Mileage Rates		
Business	TBD	\$0.580
Moving/Medical Charitable	TBD	\$0.200
	TBD	\$0.140
PA Minimum Wage	\$7.25	\$7.25

PENNSYLVANIA NEW HIRE REPORTING

New hires must be reported to the State within 20 days of the date of hire.

Employers may report their new hires by using either of the following:

- Official New Hire Reporting Form
- Form W-4
Date of hire, contact name and contact phone number must be listed separately

Forms may be remitted by:

MAIL

Commonwealth of Pennsylvania
New Hire Reporting Program
PO Box 69400
Harrisburg, PA 17106-9400

FAX

1-866-748-4473

ONLINE

www.cwds.state.pa.us

For more information call:

1-888-724-4737

For additional information, please contact our Payroll Professionals:

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What's New

Changes to note for 2020 as outlined in General Payroll Information Brochure

- SS wage limit increases to \$137,700
- 401K and Simple IRA Deferral Limits Increase by \$500.
- Federal Business Mileage Rate – To be determined
- SS Earnings Limits Increase for Retirees

New W-2 Filing Requirement for PA

- Threshold for requirement to file W-2's electronically is now 10 or more W-2's
- No exceptions for 2019
- Format specifications available in Etides

Changes to Pa UC Electronic Filing Formats

- *File Layouts and Formats for Electronic Reporting of PA Quarterly Unemployment Compensation Wage and Tax Data*
- The following changes will be effective January 1, 2020:
 - ICESA files will be accepted for both tax and wage reporting of original files. Currently, the ICESA file can only be used for wage reporting.
 - **TAB and SSA file formats will no longer be accepted.**
 - CSV files will require a Federal Employer Identification Number (FEIN) in each E record AND contact information in the A Record.
(Note: Filers already have the ability to include the FEIN and contact information now; however, they will become **required** fields effective January 1, 2020.)

Salaried Exempt OT Rule

- FLSA Salaried Exempt Overtime Rules Finalized - Changes Effective - 1/1/20
- Updated annual salary minimum - \$35,568 (\$684 per week)
- New rule allows use of nondiscretionary payment to satisfy up to 10% of salary
- No Changes to the Job Duties tests
- Raises compensation requirement for highly compensated employee to \$107,432

W-4 Forms and New Hires

- Effective 1/1/20 the redesigned Form W-4 for 2020 is required to be used for all new employees and any current employees wishing to adjust their withholding effective 1/1/20
- Encourage employees to complete a new form but not required to do so
- Use IRS Withholding Estimator as a tool to assist with preparing the W-4
 - www.irs.gov/W4app
- New W-4 required each year by 2/15 for employees filing exempt
- New Hire Reporting – within 20 days

E-Verify for Construction

- Beginning in October 2020, employers in the construction industry in Pennsylvania will be required to use E-Verify, the federal government's web-based program that allows employers to verify an employee's work authorization electronically.

FORM 941 MAILING ADDRESS HAS CHANGED FOR 2019

- 941 Mailing addresses have changed for PA filers – be sure you are sending to the correct address

	Without payment	With payment
For quarters ending June 30, September 30, and December 31	Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0005	Internal Revenue Service PO Box 806532 Cincinnati, OH 45280-6532

FORM 940 MAILING ADDRESS HAS CHANGED FOR 2019

- 940 Mailing addresses have changed for PA filers – be sure you are sending to the correct address

	Without payment	With payment
For 2019 filings at December 31	Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0006	Internal Revenue Service PO Box 806531 Cincinnati, OH 45280-6531

W-2 Due Dates

- January 31, 2020 – W-2's due to recipients
- January 31, 2020 – Paper W2s due to SSA
- January 31, 2020 – Electronically filed W2s due to SSA
- January 31, 2020 – W-2's due to PA
- February 28, 2020 – W-2's due to LCTCB
- Extensions available but no longer automatic
 - Must apply with request for extension

Form I-9

- Continue to use the form dated 7/17/17 with expiration date 8/31/19 until further notice
- Complete form online with drop down screen assistance

Labor Law Issues

IRS Hot Topics

- Employee vs Subcontractor Classifications
 - When in doubt, use the IRS 20 factor test
 - PA DOL and Federal DOL now sharing information
- Labor Law Posters
 - Required to display most recently issued poster
 - Post in an area accessible to ALL employees

Affordable Care Act

ACA – What you need to know for 2019

- Affordable Care Act is still in effect and all reporting requirements must be met.
- Due date to issue Form 1095-B or 1095-C to employees extended to March 2, 2020
- File copies with IRS by:
 - Paper – February 28, 2020
 - Electronically – March 31, 2020

Report Fringe Benefits

- Fringe Benefits
 - Cash Payments
 - Personal Use of Company Vehicles
 - Adoption Assistance
 - Parking
 - Qualified Transportation Benefits
 - Educational Assistance
 - Group Legal Services
 - Moving Expenses
 - Gifts, Prizes and Awards
 - Dependent Care Assistance
 - Uniforms
 - Health Insurance
 - Group Term Life Insurance
 - Whole Life Insurance
 - Section 125
 - HSAs
 - Retirement Plans
 - Third Party Sick Pay
 - Expense Plans
 - S Corporation Shareholders
 - Loans to Employees

S-Corp Health Insurance

- Report health insurance costs for a 2% or more shareholder in an S-corporation as wages for Federal withholding purposes in Box 1 of Form W-2
- Family attribution rules apply

Health Insurance

- Report Health Insurance cost on W-2 in Box 12 with a code DD for more than 250 employees

Health Insurance

- Health Insurance Reimbursements for Individual Health plans for employees are wages to the employee.
 - Not part of group plan
 - Must include in wages
 - Important to characterize as wages only – not reimbursement
- Exception for one employee only in a company

Auto Allowance

- Report personal use as inclusion to income
 - Annual Lease value method
 - Commuting Method
 - Cents per Mile Method

Life and Disability Insurance

- Group Term Life Ins
 - Up to 50,000 excludable from income
 - Report amounts over 50,000 as calculated from IRS tables
- Disability Ins
 - Tax free to employees
- S-corp shareholder
 - 2% or more shareholders do not get same treatment as employees – life and disability ins payments treated as wages

Retirement Plan Benefits

- Box 12 reporting of employee contributions to plan
- Box 13 Retirement plan check box - see instruction in the payroll manual for when to check the box

Health Savings Accounts (HSA)

- Report employee contributions in Box 14
- Report Employer and Employee contributions contributed with pre-tax dollars in Box 12 – code W

Gifts and Prizes

- Generally taxable
- Use judgement on De minimus items
- Exclusions for Safety and Length of Service awards if tangible property with value less than \$400.00

1099s

- Employees vs. Independent Contractors
- Are you filing ALL required 1099s?
- Earlier filing requirement– 1099 Misc only
 - Due to Recipients by January 31, 2020
 - Due to IRS by **January 31, 2020**
 - Paper or Electronic filing
 - Due to PA Dept of Revenue by **January 31, 2020**
- Report SSN and Individual's Name correctly

1099s

- 1099 Misc - Types of Payments to report
 - Rents (Box 1)
 - Royalties (Box 3)
 - Nonemployee compensation (Box 7)
 - Subcontract Labor
 - Services
 - Repairs
 - Director Fees
- 1099 Interest –
 - Payments made in the normal course of business to an individual or other business – Not to a bank

PA Pending Legislation

- PA minimum wage – proposal to increase to \$8.00/hr effective 7/1/20
- PA Proposed increases to the minimum salary threshold for overtime-exempt executive, administrative and professional employees would increase according to the following schedule:
 - \$684 per week (\$35,568 per year) - on the date of publication in the Pennsylvania Bulletin (note: the same salary threshold takes effect under federal regulations on January 1, 2020);
 - \$780 per week (\$40,560 per year) - one year after the date of publication;
 - \$875 per week (\$45,500 per year) - two years after the date of publication;

We will keep you posted of any final legislation.

Contact Information

- If you have questions on any of the material presented please contact me:

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