

# 2024 YEAR-END PAYROLL & INFORMATION REPORTING SEMINAR

NOVEMBER 20-21, 2024

## PRESENTED BY:

- W JOE CAWLEY, CPA, CVA, *TAX PRINCIPAL*
- W SHERRY CRACIUM-BOLIN, CPA, *TAX PRINCIPAL*
- W ABBIE CAWOOD, CB, *OUTSOURCED ACCOUNTING SENIOR MANAGER*
- W KAREN MACDONALD, *OUTSOURCED ACCOUNTING SENIOR MANAGER*
- W SUSAN YOHN, SPHR, SHRM-SCP, *DIRECTOR OF HUMAN RESOURCES*

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- You must answer all 6 polling questions to receive full CPE credit.
- If your submission does not go through properly, please send in a chat right away to let us know what your response was.

# PRESENTERS



**Joe Cawley, CPA, CVA**  
*Tax Principal*  
*Brown Plus*



**Karen MacDonald**  
*Outsourced Accounting Senior Manager*  
*Brown Plus*



**Sherry Cracium-Bolin, CPA**  
*Tax Principal*  
*Brown Plus*



**Susan Yohn, SPHR, SHRM-SCP**  
*Director of Human Resources*  
*Brown Plus*



**Abbie Cawood, CB**  
*Outsourced Accounting Senior Manager*  
*Brown Plus*

# AGENDA

- Year-End Payroll & Information Reporting Updates
- COBRA
- Fringe Benefits
- Comprehensive Example
- *10-Minute Break*
- Human Resources (HR) Update
- Information Returns
- Beneficial Ownership Information (BOI) Reporting
- Employee Retention Credit (ERC) Update
- Q&A

# YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: FEDERAL

# SICK PAY

- Coverage Period – Short Term vs Long Term
- Employer pays sick pay – normal wages
- Third party pays employee/responsible for all filings or can transfer liability for taxes back to employer, but must:
  - Withhold & deposit employee's share of FICA/Medicare taxes (3rd party may withhold income taxes, if requested)
  - Notify employer of wages & withholdings within sufficient time for employer's next deposit
- Form 8922- Third Party Sick Pay Recap

# FORM W-4

- There were substantial changes to the 2020 Form W-4 due to 2018 tax law.
  - Not mandatory for employees to fill out new form unless changing withholding
  - Employers must retain a Form W-4 for each employee
  - IRS Withholding Estimator:
    - <https://www.irs.gov/individuals/tax-withholding-estimator>

# I-9 FORM AND EMPLOYEE FILE BEST PRACTICES

- **Form I-9**

- Most recent form – May 31, 2027
  - Section 1 – Employee fills out
  - Section 2 – Employer fills out
- Failure to have on file could result in penalties.
- Maintain all employee I-9s in a separate file.

- **Employee Files**

- Category 1 – Employment documentation, including pre- and post-employment
- Category 2 – Medical forms and credit check results

# NONPAYROLL INCOME TAX WITHHOLDING

- Form 945 was created to report federal income tax withheld on any non-payroll payments.
- Non-payroll payments include:
  - Employer retirement plans
  - Back-up withholding

# NONPAYROLL INCOME TAX WITHHOLDING (cont'd)

- **Deposit Rules:**
  - Separate from payroll tax deposits
  - Monthly Deposit - \$50,000 or less in look-back period
  - Semiweekly Deposit - > \$50,000 in look-back period
  - One-day Deposit rule for \$100,000 or more
- **Look-back Period** = Second calendar year preceding the current calendar year (2025=2023, 2024=2022)
- Penalties similar to payroll deposit rules

# YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: PENNSYLVANIA

# 2025 PENNSYLVANIA WAGE LIMITS AND WITHHOLDINGS

Social Security	\$176,100	6.2%
Medicare	No Limit	1.45%
State Income Tax	No Limit	3.07%
Local Income Tax	No Limit	Various
PA Unemployment	No Limit	0.07%
Futa	\$ 7,000	0.6%
PA Suta	\$ 10,000	Various
Additional Medicare	Greater than \$200,000	0.9%

# PENNSYLVANIA NEW HIRE REPORTING

- Report new hires within 20 days of hiring date:
  - [www.pacareerlink.pa.gov/jponline/Common/LandingPage/ReportNewHires](http://www.pacareerlink.pa.gov/jponline/Common/LandingPage/ReportNewHires)



# ELECTRONIC FUNDS TRANSFER - PENNSYLVANIA

- Mandatory electronic payment of all state tax payments of \$1,000 or more
- Payment methods (ACH Debit, ACH Credit, Certified or Cashier's Check hand delivered, Credit/Debit cards)
- 3% penalty assessed (maximum of \$500)
- Mandatory electronic payment for unemployment if the total liability owed equals or exceeds \$5,000 per payment period. Once this threshold is met, all subsequent payments must also be remitted electronically

# PENNSYLVANIA PAYROLL & UNCLAIMED PROPERTY LAWS

- Pennsylvania law states: After two years any un-cashed payroll checks are deemed abandoned and are subject to become property of the state.
- After three years, accounts payable checks are deemed abandoned. Refer to “Dormancy Matrix” on pg. 203.
- In certain cases, notices required to be sent to owner of property prior to transfer of unclaimed property to PA.
- For more information:
  - [www.patreasury.gov](http://www.patreasury.gov)

# YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: MARYLAND

# 2025 MARYLAND WAGE LIMITS AND WITHHOLDINGS

Social Security	\$176,100	6.2%
Medicare	No Limit	1.45%
State Income Tax	No Limit	Various (Based on County)
Futa	\$ 7,000	0.6%
MD Suta	\$ 8,500	Various (Employer Only)
Additional Medicare	Greater than \$200,000	0.9%

# MARYLAND LOCAL TAX

- Maryland's 23 counties and Baltimore City levy local income tax
- Rates range from 2.25% to 3.20% of taxable income based on where the employee lives
- Year-End W-2 Reporting: Not identified separately on W-2. Local tax is submitted to Maryland State, and they distribute that to counties.
- 2025 Withholding Tax Facts (available in December):
  - <https://www.marylandtaxes.gov/pros/tax-facts/index.php>

# ELECTRONIC FUNDS TRANSFER - MARYLAND

- B-file system retired in January of 2024
- Maryland Tax Connect introduced February of 2024
  - Employer withholding and Sales & Use Tax returns
  - New Business Registrations and applying for licenses
  - Filing history can be accessed with taxpayer login

# MARYLAND NEW HIRE REPORTING

Report new hires within 20 days of hiring date:

[www.mdnewhire.com](http://www.mdnewhire.com)

OR

Fax to 888-657-3534



# MARYLANDSAVES PROGRAM

- Retirement savings (Roth IRA)
- Employee Savings only – no Employer match
- No cost to Employer for plan administration
- Employers who setup account by 12/1/24 receive waiver of MD PPT annual filing fee of \$300

# MARYLANDSAVES PROGRAM (cont'd)

- Employers must recertify their exemption (existing retirement plan or non-automated payroll system) each year to receive waiver of MD PPT filing fee.
- **Websites:**
  - <http://www.marylandsaves.com/>
  - <http://www.marylandsaves.org/>

# MARYLAND PAID FAMILY AND MEDICAL LEAVE (FAMLI)

- **Timeline:**

- **November of 2024** – Proposed regulations published
- **Spring, 2025** – Employers register with the state on FAMLI website
- **7/1/25** - Deductions/Contributions begin
- **10/31/25** - Q3 report and contributions due
- **7/1/26** - Benefits become available to employees

- **Guidelines:**

- Private plan option
- Wage definition same as MD Unemployment
- No employer exemptions

# MD PAID FAMILY AND MEDICAL LEAVE (FAMLI) (cont'd)

- **Contribution Guidelines:**

- .90% of covered wages divided between employer/employee
  - Employee - .45%
  - 14 or fewer employees – employer contribution optional
  - 15 or more employees – total contribution .90%
  - Self-employed opt-in - .90%
- Benefits/Qualifying events follow FMLA
  - Website: <https://www.dllr.state.md.us/famli/>

# MARYLAND PAYROLL & UNCLAIMED PROPERTY LAWS

- Maryland law states: After three years, any uncashed payroll checks are deemed abandoned and are subject to become property of the state.
- After three years, accounts payable checks are deemed abandoned. Refer to “Dormancy Matrix” on pg. 227.
- Maryland requires the holder of the property presumed abandoned to send notice to the property owner prior to the transfer of unclaimed property to Maryland.
- For more information:
  - [http://comptroller.marylandtaxes.gov/Public\\_Services/Unclaimed\\_Property/](http://comptroller.marylandtaxes.gov/Public_Services/Unclaimed_Property/)

# COBRA

# COBRA CONTINUATION COVERAGE

## I. Requirements

- Employer must provide written notice to each covered employee and spouse of rights to continuation coverage
- Employer must notify plan administrator of death of employee, termination or reduction of hours, employee eligible for Medicare, & Chapter 11 bankruptcy
- Covered employee or qualified beneficiary must notify plan administrator of divorce and dependent child changes
- Plan administrator to notify employee, spouse/dependent(s) of rights to continuation coverage

# COBRA CONTINUATION COVERAGE (cont'd)

## II. Exemptions

- Employer employed fewer than 20 employees (Covered by the PA Mini-Cobra Act)
- Governmental plan
- Church plan



# COBRA CONTINUATION COVERAGE (cont'd)

## III. Penalties

- Excise tax in amount of \$100 per day (maximum \$200) for each qualified beneficiary
- Penalty can be assessed for a period of up to 6 months after continuation coverage period
- Correct failure - qualified beneficiary made whole

# COBRA CONTINUATION COVERAGE (cont'd)

## IV. Definitions

- **Qualified Beneficiary**

- Spouse or dependent(s)
- Covered employee (upon termination or reduction in hours)

- **Qualifying Event**

- Termination or reduction in hours
- Divorce or legal separation
- Dependent child ceases to be a dependent
- Death of covered employee
- Covered employee entitled to benefits under Medicare
- Chapter 11 bankruptcy proceedings



# FRINGE BENEFITS

# FRINGE BENEFITS

- **DEFINITION:** Form of pay for the performance of services given by employer to employee
- **TAXATION**
  - Generally, fringe benefits are taxable as compensation unless specifically excluded by the tax code
  - Subject to federal income, Social Security, Medicare
  - Employer elects what pay period to include fringe benefit in compensation (weekly, monthly, quarterly, or annually)
    - At least annually and choice may vary among employees
  - Federal withholding either add to regular wage for pay period or treat fringe benefit as supplemental wages and withhold at 22%

# FRINGE BENEFITS (cont'd)

- **EXCLUSIONS UNDER TAX CODE**

- 1. IRC Section 132 Exclusions**

- De-Minimis benefit
    - Employee discounts
    - No additional cost services
    - Working condition fringe benefit

# FRINGE BENEFITS (cont'd)

## 2. Benefits Excluded By Other Code Sections

- Accident & health benefits (except >2% S Corp. shareholder/employee and some H/C/E benefits)
- Achievement awards up to deductible amount
- Dependent care assistance
- Group term life insurance (except >2% S Corp. shareholder/employee)
- Educational assistance
  - Student loan principal and interest payments

# BUSINESS EXPENSE REIMBURSEMENT

- **DEFINITION**

- Generally, business expense reimbursements are taxable as compensation unless employer maintains an accountable plan

- **ACCOUNTABLE PLAN**

- Business connection
- Substantiation
- Return of excess amount
- Per diem or mileage allowances deemed substantiated up to federal rates

**A win-win proposition for employers**

## REPORTING EMPLOYEE EXPENSE REIMBURSEMENTS TRAVEL, TRANSPORTATION, MEAL AND ENTERTAINMENT EXPENSES

TYPE OF PLAN	EMPLOYER REPORTING REQUIREMENTS	SUBJECT TO EMPLOYMENT TAXES
<b>Accountable plan</b>		
Employer requires adequate accounting: 1) a business connection, 2) substantiation and 3) return excess advance	Not reported	N/A
Employer requires adequate accounting: 1) a business connection, 2) substantiation and 3) return excess advance; however, the employee does not return the excess.	Excess reported as wages - Box 1, Social Security wages - Box 3, and Medicare wages - Box 5	Excess subject to employment taxes
Special rules - per diem or allowance deemed to meet substantiation and excess return requirements 1) Per diem or mileage allowance (up to government rate)	Not reported	N/A
2) Per diem or mileage allowance (exceeds government rate)	Excess reported as wages - Box 1, Social Security wages - Box 3 and Medicare wages - Box 5. Amount equal to government rate reported in box 12 Code "L"	Excess subject to employment taxes
<b>Nonaccountable plan</b>		
Employer does not require adequate accounting: 1) a business connection, 2) substantiation or 3) return excess advance.	Entire amount reported as wages - Box 1, Social Security wages - Box 3, and Medicare wages - Box 5; amount and description in Box 14	Entire amount subject to employment taxes

## SUBSTANTIATION OF EMPLOYEE BUSINESS EXPENSES – ADEQUATE ACCOUNTING AND RECORDKEEPING

	TRAVEL	MEALS AND ENTERTAINMENT	GIFT	CAR/ TRANSPORTATION
AMOUNT	Amount of each separate expense for travel, lodging and meals. Incidental expenses may be totaled such as taxis, daily meals, etc.	Amount of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled daily.	Cost of gift.	1) Amount of each separate expense including cost of car. 2) Mileage for each business use. 3) Total miles for tax year.
TIME	Date left and returned for each trip and number of days for business.	Date of meal or entertainment. For meals or entertainment directly before or after business meeting, date and duration of meeting.	Date of gift.	Date of expense or use.
PLACE	Name of city or destination.	Name and address of place of meal or entertainment. Type of entertainment if not apparent. Place where business meeting held if meal or entertainment before or after such meeting.	Not applicable.	Name of city or destination.
DESCRIPTION	Not applicable.	Not applicable.	Description of gift.	Not applicable.
BUSINESS PURPOSE	Business reason for travel or business benefit gained or expected to be gained.	Business reason for travel or business benefit gained or expected to be gained. Nature of business discussion or activity. Identity of persons who took part in the business discussion or activity.	Business reason for gift or business benefit gained or expected to be gained.	Business reason for the expense or use of the car.
BUSINESS RELATIONSHIP	Not applicable.	Occupations or other information about persons entertained that shows business relationship to you. You must prove you or employee present at meal.	Occupation or other information about recipient that shows business relationship to you.	Not applicable.

# **LIMITATION OF CERTAIN BUSINESS EXPENSE DEDUCTIONS**

- Business Meals
  - 50% deduction beginning 1-1-23
- Entertainment – nondeductible
- Travel Expenses for Dependents
- Moving Expenses
- Employee Achievement Awards

# GROUP-TERM LIFE INSURANCE

- Value of \$50,000 or less is a **Tax Free Fringe Benefit**
- Value in excess of \$50,000 is a taxable benefit
- S Corporation > 2% Shareholder/Employee is a **Taxable Fringe Benefit**

UNIFORM PREMIUM TABLE I IRC Section 79 Fair Market Value of GTL Insurance per \$1,000 of Excess Benefit per Month			
Under age 25	\$0.05	Age 50 - 54	\$0.23
Age 25 - 29	0.06	Age 55 - 59	0.43
Age 30 - 34	0.08	Age 60 - 64	0.66
Age 35 - 39	0.09	Age 65 - 69	1.27
Age 40 - 44	0.10	Age 70 & above	2.06
Age 45 - 49	0.15		

EXAMPLE: Employee's age at 12/31/23:	59
Employee's GTL benefit:	\$100,000
Employee's GTL deduction per month (after tax):	\$10.50
Taxable wages on the value in excess of \$50,000	
$(100,000 - 50,000) \times .43 \times .001 - 10.50 = \$11.00/\text{month}$	\$132.00

# COMPANY PROVIDED VEHICLES

- Personal use of a company provided vehicle is usually a taxable fringe benefit unless it meets one of the following exceptions:
  - Working condition fringe benefit
  - De-Minimis benefit
  - Qualified non-personal use vehicle
  - Auto dealership demonstrator vehicle

# COMPANY PROVIDED VEHICLES – TAXABLE PORTION

## 1) General Valuation Method

## 2) Safe Harbor Methods

- Commuting Method
- Cents Per Mile Method
- Annual Lease Value Method



# COMPANY PROVIDED VEHICLES – SAFE HARBOR METHODS

## 1) **Commuting Method** - \$1.50 per one-way commute (\$3/day)

- Written policy prohibiting personal use other than commuting
- Employee using vehicle is not a control employee

## 2) **Cents Per Mile Method** - IRS standard mileage rate

- Vehicle driven at least 10,000 miles per year
- FMV of vehicle cannot exceed \$62,000
- Adjust standard rate if fuel is not provided

## 3) **Lease Value Method** - IRS Lease Value Table

- Vehicle value must be used for 4 years
- Add employer provided fuel



## ANNUAL LEASE VALUE TABLE

Fair Market Value of Car	Annual Lease Value	Fair Market Value of Car	Annual Lease Value
\$ 0 - 999	\$ 600	\$ 22,000 - 22,999	\$ 6,100
1,000 - 1,999	850	23,000 - 23,999	6,350
2,000 - 2,999	1,100	24,000 - 24,999	6,600
3,000 - 3,999	1,350	25,000 - 25,999	6,850
4,000 - 4,999	1,600	26,000 - 27,999	7,250
5,000 - 5,999	1,850	28,000 - 29,999	7,750
6,000 - 6,999	2,100	30,000 - 31,999	8,250
7,000 - 7,999	2,350	32,000 - 33,999	8,750
8,000 - 8,999	2,600	34,000 - 35,999	9,250
9,000 - 9,999	2,850	36,000 - 37,999	9,750
10,000 - 10,999	3,100	38,000 - 39,999	10,250
11,000 - 11,999	3,350	40,000 - 41,999	10,750
12,000 - 12,999	3,600	42,000 - 43,999	11,250
13,000 - 13,999	3,850	44,000 - 45,999	11,750
14,000 - 14,999	4,100	46,000 - 47,999	12,250
15,000 - 15,999	4,350	48,000 - 49,999	12,750
16,000 - 16,999	4,600	50,000 - 51,999	13,250
17,000 - 17,999	4,850	52,000 - 53,999	13,750
18,000 - 18,999	5,100	54,000 - 55,999	14,250
19,000 - 19,999	5,350	56,000 - 57,999	14,750
20,000 - 20,999	5,600	58,000 - 59,999	15,250
21,000 - 21,999	5,850		
For vehicles having a fair market value in excess of \$59,999 the Annual Lease Value is equal to 25% of the automobile's fair market value + \$500.			

# COMPANY PROVIDED VEHICLES (cont'd)

- **RECORDKEEPING**

- Employee must keep record of business and/or personal use
  - Daily log
  - Representative sample (regular pattern of use)
  - Sample period must be at least 90 days.
  - Unreliable data - 100% personal use
- Data collection forms

## EMPLOYEE REPRESENTATION REGARDING USE OF COMPANY VEHICLE

The Internal Revenue Service requires employers to provide certain information on their tax return with respect to the vehicles provided to employees. This information is also used to calculate the amount of the fringe benefit to be included in the employee's W-2 income.

The Internal Revenue Service generally requires that written records be maintained to document the business use of vehicles. Since the company policy requires employees to maintain the detailed records, please provide answers to the following questions. If you were provided more than one vehicle that was used during the year, you need to prepare a separate statement for each vehicle.

This completed form must be returned no later than \_\_\_\_\_ or 100% of the value will be included in the employee's W-2 income.

Description of vehicle \_\_\_\_\_

Reporting period from \_\_\_\_\_ to \_\_\_\_\_

Odometer reading: Beginning \_\_\_\_\_ Ending \_\_\_\_\_

Was the vehicle available for your personal use during off duty hours?

☐ Yes ☐ No

Did you have another vehicle available for your personal use (this includes a car you own personally)?

☐ Yes ☐ No

Are you an officer or a 1% or greater owner of the business?

☐ Yes ☐ No

How many commuting round trips did you make in this vehicle? \_\_\_\_\_

For the reporting period specified above, please provide the number of miles for each of the following categories:

Total commuting miles \_\_\_\_\_

Total other personal (noncommuting) miles + \_\_\_\_\_

Total personal miles = \_\_\_\_\_

Total business miles + \_\_\_\_\_

Total miles = \_\_\_\_\_

Did the employer pay the cost of fuel consumed by this vehicle?

☐ Yes ☐ No

Employee signature \_\_\_\_\_ Date \_\_\_\_\_

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S TAXABLE  
INCOME RESULTING FROM EMPLOYER-PROVIDED VEHICLE**

Employee: \_\_\_\_\_  
Description of vehicle: \_\_\_\_\_  
Date vehicle first made available to any employee: \_\_\_\_\_  
Date vehicle first made available to this employee: \_\_\_\_\_

Select one method (note limitations on Methods II and III)

**METHOD I - ANNUAL LEASE VALUE METHOD** (For autos available 30 days or more)

Fair market value of vehicle (to be redetermined at the beginning of the 5<sup>th</sup> year and every four years thereafter). \$ \_\_\_\_\_

Annual lease value, per attached chart \$ \_\_\_\_\_<sup>(1)</sup>

Enter number of days during the year that the vehicle was available X \_\_\_\_\_

Divide by number of days in tax year ÷ \_\_\_\_\_

Prorated annual lease value \_\_\_\_\_

Personal use percentage (personal/total miles, per statement from employee) \_\_\_\_\_ %

Personal annual lease value \$ \_\_\_\_\_

If fuel is provided by employer, enter personal miles  
\_\_\_\_\_ X \_\_\_\_\_<sup>(2)</sup> + \_\_\_\_\_

Personal use taxable income \$ \_\_\_\_\_

**METHOD II - STANDARD MILEAGE RATE METHOD**

In order to qualify to use the cents-per-mile method, the vehicle must: (1) be expected to be regularly used in the employer's business through the calendar year, (2) be driven at least 10,000 miles per year, and (3) have a fair market value of \$62,000 or less for a passenger automobile, truck or van. Once this method is adopted for a particular vehicle, it must be used until the vehicle no longer qualifies.

Enter personal miles driven from January 1 through December 31 \_\_\_\_\_ x \$0.67 = \$ \_\_\_\_\_

If fuel is **not** provided by the employer enter total personal miles \_\_\_\_\_ x \$0.055 = ( \_\_\_\_\_ )

Personal use taxable income \$ \_\_\_\_\_

**METHOD III - SPECIAL COMMUTING METHOD**

This method may only be used for vehicles covered by a written policy that allows commuting but no other personal use. **Do not use** if employee is a 1% or greater owner, an officer whose compensation is \$140,000 or more, a control employee whose compensation equals or exceeds \$285,000 or a "highly compensated" employee as defined in IRS Regulations Section 1.132-8(f).

Number of commuting round trips made \_\_\_\_\_

Value per round trip x \$3.00

Personal use taxable income \$ \_\_\_\_\_

<sup>(1)</sup>For autos continuously available to the employee for periods of 30 days or more, but less than an entire calendar year, the value of the auto's availability is prorated, computed by multiplying the annual lease value by a fraction, the numerator is the number of days available, and the denominator is 365. For autos continuously available to the employee for at least one but less than 30 days, the value of the use of the auto is its daily lease value, calculated by multiplying the annual lease value by a fraction; the numerator is four times the number of days available, and the denominator is 365. A 30-day period may be used even if availability is less than 30 days if this produces a lower valuation.

<sup>(2)</sup>If fuel is provided "in kind," the fair market value may be determined based on all facts and circumstances or, alternatively, at 5½ cents per mile if auto usage is within the United States, Canada and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If the employer has a fleet of 20 or more vehicles, reimburses or allows employees to charge fuel cost, the fleet-average cents per mile may be used. If the fleet employer determines that actual cost or fleet average methods are unreasonable administrative burdens, the 5½ cents per mile may be used.

# S-CORP – 2% SHAREHOLDER/ EMPLOYEE

- Fringe benefits provided to a greater than 2% shareholder/ employee of an S-Corporation
- Taxable as compensation
- Fringe benefits include:
  - Accident & health plan benefits
  - Group term life insurance
  - Disability insurance
  - Workers' compensation premiums
  - Health Savings Account (HSA) employer contributions
- State Tax Treatment

# GROSS-UP TAXABLE FRINGE BENEFIT

## FORMULA:

$$= \frac{\text{AMOUNT OF TAXABLE FRINGE BENEFIT}}{100\% - \% \text{ OF PAYROLL TAX WITHHELD}}$$

# GROSS-UP EXAMPLE - PENNSYLVANIA

PA EX: Taxable fringe benefits equal \$2,500.00	\$2,500.00	
Employee's YTD earnings = \$15,000.00		
(22% FIT, 6.2% Soc. Sec., 1.45% Medicare	100% - 33.78%	= \$3,775.29
3.07% State, .06% PA UC, 1% local)		
Verification:		
\$3,775.29 x 22%	= \$830.56	
\$3,775.29 x 6.20%	= \$234.07	
\$3,775.29 x 1.45%	= \$54.74	
\$3,775.29 x 3.07%	= \$115.90	
\$3,775.29 x 1.0%	= \$37.75	
\$3,775.29 x .06%	= <u>\$2.27</u>	
Total Tax	= <u>\$1,275.29</u>	
Mathematical proof:		
Taxable fringe benefit	\$2,500.00	
Total tax	<u>1,275.29</u>	
Gross taxable fringe benefit	<u>\$3,775.29</u>	

# GROSS-UP EXAMPLE - MARYLAND

MD EX: Taxable fringe benefits equal \$2,500.00 Employee's YTD earnings = \$15,000.00 (22% FIT, 6.2% Soc. Sec., 1.45% Medicare 7.5% State)	\$2,500.00	
	100% - 37.15%	= \$3,977.73
Verification:		
\$3,977.73 x 22%		= \$875.10
\$3,977.73 x 6.20%		= \$246.62
\$3,977.73 x 1.45%		= \$57.68
\$3,977.73 x 7.5%		= <u>\$298.33</u>
		= <u>\$1,477.73</u>
Total Tax		
Mathematical proof:		
Taxable fringe benefit	\$2,500.00	
Total tax	<u>1,477.73</u>	
Gross taxable fringe benefit	<u>\$3,977.73</u>	

# YEAR-END PREPARATION

1. Determine amount of taxable fringe benefit(s) by December 15
2. Gross-up taxable fringe benefit, if necessary
3. Deposit payroll taxes in accordance with deposit requirements
4. Update payroll records - notify outside service bureau
5. Include taxable fringe benefits in W-2 and 941 Wage Reconciliations

# COMPREHENSIVE EXAMPLE

*PG. 49 - 50 IN BOOKLET*

## Comprehensive Payroll Example

Employee: Michael I Wazowski

Employer: KRM Electrical Services LLC

Additional information:				
Payroll	"Normal" Biweekly	Year-to-date prior to last pay		
Gross	\$6,538.47	\$ 163,461.75		
Fringe benefits to be included on W2:				
Deductions:				
401(k) contribution	\$ 653.85	\$ 16,346.18	Personal use of automobile	\$ 1,712.50
Federal Income tax	\$ 980.77	\$ 24,519.26	Group-term life insurance in excess of >\$50,000	\$ 132.00
FICA:				\$ 1,844.50
Social Security	\$ 318.57	\$ 10,134.63	Employer provided Health Insurance	\$ 6,900.00
Medicare	\$ 94.81	\$ 2,370.20		
State income tax	\$ 200.73	\$ 5,018.28		
Local income tax	\$ 65.38	\$ 1,634.62		
SUI	\$ 4.58	\$ 114.42		
	<u>\$4,219.78</u>	<u>\$ 103,324.17</u>		

Calculation for pay date December 31 (fringe benefits included):

Item	Calculation method	Amount	Year-to-date
Gross	(6,538.47 + 1844.50) fixed base + fringe benefits	\$ 8,382.97	\$ 171,844.72
Deductions:			
401(k) contribution	10% of compensation (6,538.47 + 1,844.50)	\$ 838.30	\$ 17,184.47
Federal Income tax		* \$ 1,260.82	\$ 25,780.08
FICA:			
Social Security	(6,538.47 + 1,844.50 - 3,244.72) x .062	** \$ 318.57	\$ 10,453.20
Medicare	(6,538.47 + 1,844.50) x .0145	\$ 121.55	\$ 2,491.75
State income tax	(6,538.47 x .0307)	\$ 200.73	\$ 5,219.01
Local income tax	(6,538.47 x .010)	\$ 65.38	\$ 1,700.00
SUI	(6,538.47 + 1,844.50) x .0007	\$ 5.87	\$ 120.29
Other	Non-cash fringe benefits	\$ 1,844.50	\$ 1,844.50
		<u>\$ 3,727.25</u>	<u>\$ 107,051.42</u>

\* Federal income tax withheld:  
15% of taxable wages of \$5,700.17  
(Gross pay of \$6,538.47 less 401(k)  
contribution of \$838.30)  
Fringe benefits (1,844.50 x .22)

\$ 855.03  
  
\$ 405.79  
\$1,260.82

\*\*Social Security tax withheld:

Year-to-date gross \$ 163,461.75  
Base gross pay \$ 6,538.47  
Taxable fringe benefits \$ 1,844.50  
Subtotal \$ 171,844.72  
Social Security Wage Limit \$ 168,600.00

Nontaxable Social Security wages \$ 3,244.72

<b>22222</b>		Void <input type="checkbox"/>		a Employee's social security number 259-56-2710		For Official Use Only ► OMB No. 1545-0008			
b Employer identification number (EIN) 87-4265479						1 Wages, tips, other compensation 154660.25		2 Federal income tax withheld 25780.08	
c Employer's name, address, and ZIP code KRM ELECTRICAL SERVICES LLC  P.O. BOX 222  BROWNSTOWN PA 17508						3 Social security wages 168600.00		4 Social security tax withheld 10453.20	
						5 Medicare wages and tips 171844.72		6 Medicare tax withheld 2491.75	
						7 Social security tips		8 Allocated tips	
d Control number						9		10 Dependent care benefits	
e Employee's first name and initial MICHAEL I			Last name WAZOWSKI		Suff	11 Nonqualified plans		12a See instructions for box 12 DD 6900.00	
1313 HAUNTED LANE ANYTOWN PA 32830						13 Statutory employee Retirement plan Third-party sick pay X		12b D 17184.47	
						14 Other Fringe B 1712.50 PA-SUI 120.29		12c C 132.00	
								12d	
						f Employee's address and ZIP code			
15 State Employer's state ID number PA 0001 0002			16 State wages, tips, etc. 170000.22		17 State income tax 5219.01	18 Local wages, tips, etc. 170000.22		19 Local income tax 1700.00	20 Locality name 22

Form **W-2** Wage and Tax Statement

**2024**  
00007 1030D

Department of the Treasury - Internal Revenue Service  
For Privacy Act and Paperwork Reduction  
Act Notice, see the separate instructions.

Copy A For Social Security Administration - Send this entire page with  
Form W-3 to the Social Security Administration; photocopies are not acceptable.

**Do Not Cut, Fold, or Staple Forms on This Page**

REV QBOT

**10 MINUTE BREAK**

# HUMAN RESOURCES (HR) UPDATE

Susan T. Yohn, SPHR, SHRM-SCP  
Director of Human Resources

# DISCLAIMER

- The information presented in this session is for general information purposes only and is not intended as legal advice. While we strive to provide accurate and up-to-date information regarding HR practices, I am not an attorney.
- Each employer and situation is unique based on federal, state, local and industry standards. For specific legal guidance or concerns, please consult with a qualified legal professional.

# AGENDA

- Fair Labor Standards Act – Overtime Rule
- Minimum Wage
- Pay Transparency Laws
- Pregnant Workers Fairness Act
- Maryland Paid Family and Medical Leave
- CROWN Act

# Fair Labor Standards Act (FLSA)

# FLSA BACKGROUND

- Established in 1938 – Federal Statute
  - Minimum wage
  - Overtime pay
  - Recordkeeping
  - Child Labor
- Many states expand on the federal statute (i.e.: minimum wage and overtime exemptions)

# WHO IS COVERED?

- Organizations with two or more employees and annual dollar volume of sales or business of at least \$500,000.
- Individuals engaged in interstate commerce.
- Includes private companies, government agencies, schools, medical facilities, non-profits, etc.

# OVERTIME RULE & EXEMPTION

- Employees must receive pay for hours worked in excess of 40 hours in a workweek at a rate not less than 1.5 times their regular pay.
- Exemption requirements:
  1. Paid on salary basis, and
  2. Paid minimum weekly salary, and
  3. Meet the job duties test for exemption

# Exemption Duties Test

- Most Common Federal Job Duties Exemptions:
  - Executive
  - Administrative
  - Professional
  - Computer Employee
  - Outside Sales
- *Note:* The Executive and Computer Employee exemptions are not recognized in PA

# HISTORY OF SALARY THRESHOLD INCREASES

- **1938** – annual threshold was set at \$1,560 per year (\$30/week)
- **1949** – increased to \$5,200 per year (\$100/week)
- **2004** – increased to \$23,660 per year (\$455/week)
- **Who remembers 2016?**
  - \$47,474 per year (\$912.96/week)
  - Overturned – DOL exceeded authority with level of increase and automatic updating
- **2019** – increased to \$35,568 per year (\$684/week)

# 2024 & 2025 CHANGES OVERTURNED

## July 1, 2024

- Salary level: to \$43,888 per year (\$844/week)
- Highly Compensated Employees (HCEs): \$132,964 per year

## January 1, 2025

- Salary level to \$58,656 per year (\$1,128/week)
- HCE: \$151,164 per year
- 10% nondiscretionary bonus can be used
- Automatic adjustment to the salary threshold every three years starting with 7/1/2027.

# November 15, 2024

- **Federal court vacated the Biden administration's overtime rule nationwide for both the July 1, 2024, and January 1, 2025, bump in salary threshold.**
- Conclusion was similar to that in the 2016 citing the ruling exceed the DOL's statutory authority under the FLSA.

# What Now?

**Back to 2019** – increased to \$35,568 per year (\$684/week)

Did you increase salaries to reach 7/1 threshold?

Did you reclassify exempt as non-exempt due to salary threshold increase?

# RESOURCES

- FLSA Federal Exemptions -  
<https://www.dol.gov/agencies/whd/fact-sheets/17a-overtime>
- FLSA Exemption Worksheet -  
<https://eforms.state.gov/Forms/ds5105.PDF>

# Minimum Wage

# FEDERAL MINIMUM WAGE: \$7.25 PER HOUR

- 13 states mirror the federal minimum wage:
  - Idaho, Indiana, Iowa, Kansas, Kentucky, New Hampshire, North Carolina, North Dakota, Oklahoma, Pennsylvania, Texas, Utah, Wisconsin
- 30 states plus D.C. that have a minimum wage higher than the federal minimum wage:
  - Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, Ohio, Oregon, Rhode Island, South Dakota, Vermont, Virginia, Washington, Washington D.C. and West Virginia
- 7 states minimum wage is lower than federal but defaults to the federal amount
  - Alabama, Georgia, Louisiana, Mississippi, South Carolina, Tennessee, Wyoming

# MINIMUM WAGE EXAMPLES

- **Maryland:** \$15.00/hour regardless of size
  - Montgomery & Howard County have fluctuating rates based on size of employer
- **New Jersey**
  - 2024      \$15.13
  - 2025      \$15.49
- **Pennsylvania:** \$7.25/hour

# NEXT STEPS AND RESOURCES

- Review the current and any upcoming minimum wage requirements in the state(s) where your employees perform the work to ensure you are in compliance.
- MD:  
<https://www.labor.maryland.gov/labor/wages/wagehrfacts.shtml>
- US Dept of Labor: <https://www.dol.gov/agencies/whd/mw-consolidated#2>

# Pay Transparency Laws

# WHAT IS PAY TRANSPARENCY?

- Pay Transparency laws require employers to disclose information about employee compensation, either to the employees or to the public.
- Laws are intended to promote fairness and reduce pay disparities based on factors such as race, gender and ethnicity.
- Based on where the position is located.

# CURRENT REGULATIONS

- No current specific federal pay transparency laws.
- Federal Contractors are an exception.
- No change to existing protections against discrimination relating to employees that discuss their pay with others.
- Growing number of State law requirements.

# STATES WITH PAY TRANSPARENCY LAWS

- California
- Colorado
- Connecticut
- Hawaii
- Illinois – 1/1/25
- Maryland
- Massachusetts – 7/31/25
- Minnesota – 1/1/25
- Nevada
- New York
- Rhode Island
- Vermont – 7/1/25
- Washington

## Other Jurisdictions:

- Jersey City, NJ
- New York City, NY
- Ithaca, NY
- Washington, D.C.
- Westchester County, NY
- Cincinnati, OH
- Toledo, OH

# PENNSYLVANIA

- As of today, there are no laws in PA related to pay transparency
- But consider...
  - For all state agencies as well as employers in the city of Philadelphia, it is illegal for employers to ask about a job candidates pay history.
  - If you are doing this, stop.
  - Can ask if the candidate has pay expectations for the role.

# MARYLAND

- Equal Pay for Equal Work – Wage Range Transparency
- Effective 10/1/2024
  - Requires Internal and External Job Postings to include:
    - The pay range, including minimum and maximum wage
    - General description of benefits; and
    - Other compensation elements offered with the position
  - Direct postings and through agencies
  - Remote postings
- Penalty – up to \$300 for each employee or applicant for whom the employer is not in compliance.

# NEXT STEPS

- PA employers – nothing is required...YET! Be ready.
- Employers in MD and other growing number of states/jurisdictions
  - Review the regulations and requirements
  - Ensure you are complying; if not, correct the issue immediately
- Keep record of compliance with this law as required for each position for at least 3 years after the position was filled or if not filled, at least 3 years from when the position was posted.

# RESOURCES

- MD – Equal Pay for Equal Work FAQs:  
<https://labor.maryland.gov/labor/wages/esswagerangefaq.shtml>
- Bill:  
[https://mgaleg.maryland.gov/2024RS/chapters\\_noln/Ch\\_272\\_sb0525T.pdf](https://mgaleg.maryland.gov/2024RS/chapters_noln/Ch_272_sb0525T.pdf)
- MD Compensation Disclosure Statement:  
<https://labor.maryland.gov/labor/wages/esscompensationdisclosureform.pdf>

# Pregnant Workers Fairness Act

# PREGNANT WORKERS FAIRNESS ACT (PWFA)

- Federal Law - governed by the Equal Employment Opportunity Commission (EEOC)
- June 18, 2024 - PWFA Final Rule went into effect
- Requires **covered employers** to provide “**reasonable accommodations**” to a **qualified worker’s** known limitations related to pregnancy, childbirth, or related medical conditions, unless the accommodation will cause the employer an “**undue hardship**”

# PWFA DEFINITIONS

- **Covered Employers**

- Private and public sector employers (state and local governments) with 15 or more employees

- **Reasonable Accommodations**

- Examples include:
  - Additional, longer, or more flexible breaks to drink water, eat, rest or use the restroom
  - Schedule changes or time off to go to health care appointments
  - A chair or stool to sit on while working
  - The ability to telework full or part-time
  - Light duty or assistance with lifting
  - Changing a uniform or dress code or providing safety equipment that fits

# PWFA DEFINITIONS (CONT'D)

- **Qualified Worker**

- Employee or applicant who, with or without reasonable accommodation, can perform the essential functions of the position.
- AND... covered if the inability to perform essential functions is temporary and can be performed in the near future or if the inability to perform the essential function can be easily accommodated.

- **Undue Hardship**

- An action requiring significant difficulty or expense
- Factors could include: nature and cost of the accommodation, overall financial resources of the facility, number of employees and the accommodations impact on the operation of the facility.

# PWFA DEFINITIONS (CONT'D)

- **Penalties vary depending on the infraction but could include:**
  - Payment of lost wages and benefits
  - Compensatory damages (future lost wages and benefits)
  - Punitive damages (punishing the employer)
  - Court order requiring employer to stop violating the law
  - Attorney's fees and costs

# RESOURCES

- PWFA Statute:
  - <https://www.eeoc.gov/statutes/pregnant-workers-fairness-act>
- PWFA Overview:
  - <https://www.eeoc.gov/wysk/what-you-should-know-about-pregnant-workers-fairness-act>
- PWFA Poster:
  - [https://www.eeoc.gov/sites/default/files/2024-04/PWFA%20%28Healthcare%20Poster%29-11.pdf-13\\_508FINAL.pdf](https://www.eeoc.gov/sites/default/files/2024-04/PWFA%20%28Healthcare%20Poster%29-11.pdf-13_508FINAL.pdf)

# Maryland Paid Family and Medical Leave

<https://paidleave.maryland.gov/employers/Pages/home.aspx>

# PAID FAMILY AND MEDICAL LEAVE – INSURANCE (FAMLI)

- July 1, 2025 - Contribution period begins
- July 1, 2026 - Benefits available
- FAMLI is a state insurance program providing support to employees for up to 12 weeks in a 12-month period, who take time away from work to care for themselves or a family member
  - **Eligible Employer:** any employer who pay a salary or wage to at least one person who works in Maryland is covered. Excluding the federal government.
  - **Eligible Employee:** after working at least 680 hours in positions based in Maryland in the 4 calendar quarters reported before they need to take leave.
    - Excludes: Independent Contractors
    - Seasonal and part time employees ARE eligible
    - Does not depend on whether an employee lives in Maryland, only if the position is located in Maryland.

# PAID FAMILY AND MEDICAL LEAVE – INSURANCE (FAMLI)

- Employer responsibilities:
  - Register with the FAMLI Division – open by Spring of 2025
  - January 2026 – required to notify workers about the paid family and medical leave and then...
    - When a new worker is hired,
    - At least once a year,
    - When the worker requests paid leave, and
    - When an employer know that a worker's leave request may qualify
- Benefit provides up to 90% of employees wages up to a maximum of \$1,000 per week

# PAID FAMILY AND MEDICAL LEAVE – INSURANCE (FAMLI)

- Benefit provides up to 90% of employees wages up to a maximum of \$1,000 per week
- The weekly benefit amount paid through FAMLI is not reduced or offset to take into account any Short-Term Disability policy that an employer may offer.
- Employers can allow workers to use accrued leave to make up the other 10% not covered by FAMLI.

# PAID FAMILY AND MEDICAL LEAVE – INSURANCE (FAMLI)

- If an employer offers leave specifically designed to cover a FAMLI qualifying event, such as parental leave, the Division is referring to that as Alternative FAMLI Purpose Leave (AFPL). If an employer offers AFPL, they will be able to require that workers take their AFPL concurrently with FAMLI leave.
- Private employer plans must be submitted to the Maryland Department of Labor for approval.
- Employees will submit an application for benefits to the administering agency (similar to UC benefit request)

# NEXT STEPS AND RESOURCES

- Review current regulations
- Notate important upcoming dates
- Sign up for notifications on the Maryland Department of Labor website
  - <https://paidleave.maryland.gov/Pages/default.aspx>
- Family and Medical Leave Insurance
  - <https://paidleave.maryland.gov/employers/Pages/home.aspx>

# The CROWN Act

# The CROWN Act

- Stands for **C**reating a **R**espectful and **O**pen **W**orld for **N**atural Hair
- Law that prohibits race-based hair discrimination, including denial of employment or educational opportunities because of hair texture or protective hairstyles including braids, locs, twists or bantu knots.
- 24 states and numerous jurisdictions currently have a CROWN Act Law - AK, AZ, AR, CA, CO, CT, DE, IL, LA, ME, MD, MA, MI, MN, NE, NV, NJ, NM, NY, OR, TN, TX, VA, WA
  - Philadelphia and Pittsburgh, PA
  - Montgomery County, MD

# NEXT STEPS AND RESOURCES

- Become familiar with this law so you can ensure compliance.
- The CROWN Act:
  - <https://www.thecrownact.com/>

Questions?

# INFORMATION RETURNS

# 1099 INFORMATION RETURNS

- Persons engaged in a trade or business
- Must report payments of \$600 or more in a calendar year to:
  - Unincorporated Entity - Partnership, LLC, self employed
  - Any legal service entity, regardless of incorporation
  - Certain medical payments, regardless of incorporation
- 1099-NEC
  - Nonemployee compensation
  - Separate 1096

**Before you begin.** For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. See Specific Instructions on page 3.	<b>1</b> Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)	
	<b>2</b> Business name/disregarded entity name, if different from above.	
	<b>3a</b> Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only <b>one</b> of the following seven boxes.	<b>4</b> Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):
	<input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C corporation <input type="checkbox"/> S corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) . . . . . <b>Note:</b> Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions)	Exempt payee code (if any) _____  Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____
	<b>3b</b> If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions . . . . . <input type="checkbox"/>	
<b>5</b> Address (number, street, and apt. or suite no.). See instructions.		Requester's name and address (optional)
<b>6</b> City, state, and ZIP code		
<b>7</b> List account number(s) here (optional)		

<b>Part I</b>	<b>Taxpayer Identification Number (TIN)</b>
---------------	---

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

**Social security number**

				-			-				
--	--	--	--	---	--	--	---	--	--	--	--

or

**Employer identification number**

					-						
--	--	--	--	--	---	--	--	--	--	--	--

**Note:** If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

<b>Part II</b>	<b>Certification</b>
----------------	----------------------

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

<b>Sign Here</b>	Signature of U.S. person
------------------	--------------------------

Date \_\_\_\_\_

# FILING DUE DATES

- Form 1099-MISC
  - Due January 31, 2025, for paper forms
  - Due March 31, 2025, for e-file
- Form 1099-NEC
  - Due January 31, 2025, for paper and e-file
- A 30-day extension can be requested in writing by using Form 8809 and will be granted only for extraordinary circumstances or a catastrophe.
- All other types of 1099s can still be filed with the IRS by February 28 if paper filing and March 31 if filing electronically.

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115	<b>Miscellaneous Information</b>
		\$	Form <b>1099-MISC</b>	
		2 Royalties	(Rev. January 2024)	
		\$	For calendar year	
		3 Other income	4 Federal income tax withheld	<b>Copy 1 For State Tax Department</b>
		\$	\$	
PAYER'S TIN	RECIPIENT'S TIN	5 Fishing boat proceeds	6 Medical and health care payments	
		\$	\$	
RECIPIENT'S name		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
Street address (including apt. no.)		\$	\$	
City or town, state or province, country, and ZIP or foreign postal code		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
		\$	\$	
13 FATCA filing requirement <input type="checkbox"/>		11 Fish purchased for resale	12 Section 409A deferrals	
		\$	\$	
Account number (see instructions)		14 Excess golden parachute payments	15 Nonqualified deferred compensation	
		\$	\$	
		16 State tax withheld	17 State/Payer's state no.	18 State income
		\$		\$
		\$		\$

Form **1099-MISC** (Rev. 1-2024)

[www.irs.gov/Form1099MISC](http://www.irs.gov/Form1099MISC)

Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116 Form <b>1099-NEC</b> (Rev. January 2024) For calendar year _____		<b>Nonemployee Compensation</b>
PAYER'S TIN	RECIPIENT'S TIN	1 Nonemployee compensation \$ _____		<b>Copy 1 For State Tax Department</b>
RECIPIENT'S name  Street address (including apt. no.)  City or town, state or province, country, and ZIP or foreign postal code		2 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
		3 _____		
		4 Federal income tax withheld \$ _____		
Account number (see instructions)		5 State tax withheld \$ _____	6 State/Payer's state no.	
		\$ _____		\$ _____

Form **1099-NEC** (Rev. 1-2024)

[www.irs.gov/Form1099NEC](http://www.irs.gov/Form1099NEC)

Department of the Treasury - Internal Revenue Service

Form

**8809**

(Rev. August 2020)

Department of the Treasury  
Internal Revenue Service

Application for Extension of Time  
To File Information Returns

(For Forms W-2, W-2G, 1042-S, 1094-C, 1095, 1097, 1098, 1099, 3921, 3922, 5498, and 8027)

OMB No. 1545-1081

► This form may be filed out online. See *How to file below*.

► Go to [www.irs.gov/Form8809](http://www.irs.gov/Form8809) for the latest information.

**Do not** use this form to request an extension of time to (1) file Form 1040 or 1040-SR (use Form 4868), (2) file Form 1042 (use Form 7004), or (3) furnish statements to recipients (see Extensions under part M in the General Instructions for Certain Information Returns).

**1** Payer's/filer's information. **Type or print clearly in black ink.**

Payer's/filer's name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP code \_\_\_\_\_

Contact name \_\_\_\_\_ Telephone number \_\_\_\_\_

Email address \_\_\_\_\_

**2** Taxpayer identification number (TIN)  
(Enter the payer's nine-digit number.  
Do not enter hyphens.)

\_\_\_\_\_

**3** Check your method of filing information returns  
(check only one box). Use a separate Form 8809  
for each method.

☐ Electronic ☐ Paper

**4** If you are requesting an extension for more than one payer/filer,  
enter the total number of payers/filers and attach a typed list of  
names and TINs. If sending an individual Form 8809 for each  
request, do not enter an amount.  
See *How to file below* for details. ►

**5** Check this box **only** if you already requested the automatic extension and you now need an **additional** extension. See instructions. ► ☐

**6** Check **only** the box(es) that apply. **Do not** enter the number of returns.

Form(s)	✓ here	Form(s)	✓ here	Form(s)	✓ here
W-2	<input type="checkbox"/>	5498	<input type="checkbox"/>	8027	<input type="checkbox"/>
1097, 1098, 1099, 3921, 3922, W-2G	<input type="checkbox"/>	5498-ESA	<input type="checkbox"/>	1094-C, 1095-C	<input type="checkbox"/>
1099-NEC	<input type="checkbox"/>	5498-QA	<input type="checkbox"/>	1095-B	<input type="checkbox"/>
1042-S	<input type="checkbox"/>	5498-SA	<input type="checkbox"/>	1099-QA	<input type="checkbox"/>

**7** If you are requesting an extension for Forms W-2 or 1099-NEC, or if you checked the box on line 5, you must meet one of the following criteria. Check the applicable box(es) that describes your need for an extension.

The filer suffered a catastrophic event in a federally declared disaster area that made the filer unable to resume operations or made necessary records unavailable . . . . . ☐

Fire, casualty, or natural disaster affected the operation of the filer . . . . . ☐

Death, serious illness, or unavoidable absence of the individual responsible for filing the information returns affected the operation of the filer . . . . . ☐

The filer was in the first year of establishment . . . . . ☐

The filer did not receive data on a payee statement such as Schedule K-1, Form 1042-S, or the statement of sick pay required under section 31.6051-3(a)(1) in time to prepare an accurate information return . . . . . ☐

Under penalties of perjury, I declare that I have examined this form, including any accompanying statements, and, to the best of my knowledge and belief, it is true, correct, and complete.

Signature ► \_\_\_\_\_ Title ► \_\_\_\_\_ Date ► \_\_\_\_\_

<b>Form 15397</b> (September 2024)	<small>Department of the Treasury • Internal Revenue Service</small> <b>Application for Extension of Time to Furnish Recipient Statements</b> <small>(For Forms W-2, W-2G, 1042-S, 1095, 1097, 1098, 1099, 3921, 3922, and 5498)</small>	OMB Number 1545-2313
<small>Go to <a href="http://www.irs.gov/Form15397">www.irs.gov/Form15397</a> for the latest information.</small>		
<b>Do not</b> use this form to request an extension to file information returns with the IRS (use Form 8809).		
<b>1</b> Issuer's/Transmitter's information (type or print clearly in black ink)		<b>2</b> Taxpayer identification number (TIN) <small>(Enter the issuer's nine-digit number. Do not enter hyphens)</small>
Issuer's/Transmitter's name		
Address		
City		State/Country code ZIP code
Contact name	Telephone number	Email address
<b>3</b> If you are requesting an extension for more than one issuer/transmitter, enter the total number of issuers/transmitters and attach a typed list of names and TINs (List must be 12pt font and legible). If sending an individual Form 15397 for each request, do not enter an amount		
<small>See <i>How to file</i> in the instructions for details.</small>		
<b>4</b> Check <b>only</b> the box(es) that apply. <b>Do not</b> enter the number of returns		
<b>Form(s)</b>	<input type="checkbox"/> <b>✓ Here</b>	<b>Form(s)</b> <input type="checkbox"/> <b>✓ Here</b>
1042-S	<input type="checkbox"/>	W-2 <input type="checkbox"/>
1095-B, 1095-C	<input type="checkbox"/>	5498 <input type="checkbox"/>
1097, 1098, 1099, 3921, 3922, W-2G	<input type="checkbox"/>	5498-ESA <input type="checkbox"/>
1099-NEC	<input type="checkbox"/>	5498-QA <input type="checkbox"/>
1099-QA	<input type="checkbox"/>	5498-SA <input type="checkbox"/>
<b>5</b> Describe your need for an extension to furnish recipient(s) copies of information returns		
<small>Under penalties of perjury, I declare that I have examined this form, including any accompanying statements, and, to the best of my knowledge and belief, it is true, correct, and complete.</small>		
Signature	Title	Date
<small>Catalog Number 93700B <a href="http://www.irs.gov">www.irs.gov</a> Form <b>15397</b> (Rev. 9-2024)</small>		

# ELECTRONIC FILING

- **Reminder - New last year:**
  - IRS has updated filing requirements and lowered the threshold from 250 to 10 forms.
  - Includes all aggregated forms filed.
- **Free portal for businesses (IRIS)**
  - Free to register & use
  - <https://www.irs.gov/tax-professionals/iris-application-for-tcc>
  - Review the requirements document before applying

# INFORMATION REPORTING PENALTIES

*Charges for each information return or payee statement*

Year due	Up to 30 days late	31 days late through August 1	After August 1 or not filed	Intentional disregard
2025	\$60	\$130	\$330	\$660
2024	\$60	\$120	\$310	\$630
2023	\$50	\$110	\$290	\$580
2022	\$50	\$110	\$280	\$570
2021	\$50	\$110	\$280	\$560
2020	\$50	\$110	\$270	\$550

# PENNSYLVANIA 1099 REPORTING

- Report non-employee compensation and payments under an oil and gas lease amounting to \$600 or more.
- Use the copy of the Federal 1099-MISC or 1099-NEC
- Federal Form 1096 is not required
- If filing 10 or more 1099 forms, must file to PA through myPATH
- The 2024 forms are due to PA by January 31, 2025.

# PENNSYLVANIA 1099 REPORTING (cont'd)

- Act 43
  - Created nonresident withholding obligation for certain payers of PA-source income and rent paid to nonresident individuals.
  - Withholding is required when paying \$5,000 annually to a nonresident.
  - Withholdings paid electronically via myPATH.
  - Quarterly withholding returns and annual reconciliations.
  - REV-1832 (pg. 209 – 210 in booklet)

# MARYLAND 1099 REPORTING

- Participates in federal combined reporting program
- Federal 1099-MISC and 1099-NEC only needs to be submitted to Maryland if there is Maryland State Withholding
- Submit with MD MW508
  - If submitting 25 or more must use MD SFTP

# INFORMATION RETURN COMPLIANCE ISSUES

- Independent Contractor vs. Employee
  - Department of Labor (DOL)
    - Six factor test remains
  - Three prong test (IRS)
    - Behavioral Control
    - Financial Control
    - Type of Relationship
  - Voluntary Classification Settlement Program (VCSP)

# INFORMATION RETURN COMPLIANCE ISSUES (cont'd)

- Backup Withholding
  - Required withholding rate of 24%
  - "B" Notice
  - Form W-9 (Revised March 2024)

# BENEFICIAL OWNERSHIP INFORMATION (BOI) REPORTING

# BENEFICIAL OWNERSHIP INFORMATION REPORTING

- Corporate Transparency Act (CTA)
  - Report beneficial ownership information to FinCEN
  - File by 1-1-25 for existing entities
  - Entities created after 12-31-23 must file within 30 days\*\*
  - Changes or inaccuracies filed within 30 days
- Exemptions from filing
  - Large operating entities
    - More than 20 employees (in U.S.)
    - Gross revenue over \$5 million on prior year's tax return
    - Physical office within U.S.
  - Publicly traded companies that are registered under SOX
  - Other exemptions (23 on FinCEN website) include governmental authorities, banks, tax exempt entities, insurance companies

# BENEFICIAL OWNERSHIP INFORMATION REPORTING (cont'd)

- **Information needed to file:**
  - Full legal name of the reporting company
    - Include Trade or DBA
  - Business address
  - State of formation or registration
  - Tax ID
  - Beneficial owner information
    - Substantial control
    - Owns at least 25% of the ownership interests

# BENEFICIAL OWNERSHIP INFORMATION REPORTING (cont'd)

- Company Applicant
  - Individual who files the document that creates the entity
  - Individual primarily responsible for directing or controlling the filing of document
- Penalties for noncompliance
  - Up to \$500 per day civil
  - \$10,000 fine/ 2 years imprisonment criminal

# EMPLOYEE RETENTION CREDIT (ERC) UPDATE

# EMPLOYEE RETENTION CREDIT UPDATE

- **Employee Retention Credit (ERC)**

- Eligible businesses can file a 941X to claim the ERC within three years following the original due date of the business tax return - Calendar year 2021= 4/15/25
- IRS halts processing ERC claims to review filings for fraud or other questionable filings
- Processing new ERC claims expected to resume on or after November 1, 2024

# Q&A

# REFERENCE MATERIAL

1. List of Helpful Government Publications
  - Visit IRS website: [www.irs.gov](http://www.irs.gov)
2. W-9
3. COBRA Model Notices
4. I-9
5. PA Nonresident Withholding Requirements

# THANK YOU!

Please remember to fill out the evaluation survey!



**Joe Cawley, CPA, CVA**  
*Tax Principal*  
*Brown Plus*



**Karen MacDonald**  
*Outsourced Accounting Senior Manager*  
*Brown Plus*



**Sherry Cracium-Bolin, CPA**  
*Tax Principal*  
*Brown Plus*



**Susan Yohn, SPHR, SHRM-SCP**  
*Director of Human Resources*  
*Brown Plus*



**Abbie Cawood, CB**  
*Outsourced Accounting Senior Manager*  
*Brown Plus*