



**Brown Plus**  
ACCOUNTANTS + ADVISORS

# 2025 YEAR-END PAYROLL & INFORMATION REPORTING SEMINAR

NOVEMBER 19, 2025

## PRESENTED BY:

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# PRESENTERS



**Joe Cawley, CPA, CVA**  
*Tax Principal*  
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**Sherry Cracium-Bolin, CPA**  
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# AGENDA

- Year-End Payroll & Information Reporting Updates
- Maryland Tech Tax Effective 7/1/25
- *10-Minute Break*
- COBRA
- Fringe Benefits
- Comprehensive Example
- *10-Minute Break*
- Small Business Accounting Automation Tips & Tricks
- Information Returns

**YEAR-END PAYROLL & INFORMATION  
REPORTING UPDATES:  
FEDERAL**

# W-2 REPORTING FOR TIPS

- H.R. 1: New deduction on individual tax return for qualified tips
- Qualified occupations that receive tips – eight categories
- Definition of qualified tips
- IRS providing transition relief for tax year 2025 for employers subject to new reporting requirements
- No change to 2025 W-2:
  - Taxpayers will use box 7
  - Suggest enter 3-digit code and amount in box 14

# W-2 REPORTING FOR OVERTIME

- H.R. 1: New deduction on individual tax return for qualified overtime – “premium” portion only.
- Amount is calculated as compensation beyond normal rate of pay (i.e. half portion of time-and-a-half compensation).
- Overtime is calculated based on FLSA – over 40 hours/week.
- IRS providing transition relief for tax year 2025 for employers subject to new reporting requirements.
- No change to 2025 W-2:
  - Suggest entering amount in box 14 with “OVT” as descriptor.

# OVERTIME CALCULATION EXAMPLE

- John's regular hourly rate is \$35/hour. His overtime rate is \$52.50 (one and half times his regular rate). From January to September 2025, he works 62 hours of overtime. October 1st John receives a raise. His new regular hourly rate is \$38/hour and his overtime rate is \$57. From October to December, he worked 11.50 hours of overtime.
  - $\$52.50 - \$35 = \$17.50$  (half portion of overtime) x 62 hours = **\$1,085**
  - $\$57 - \$38 = \$19$  (half portion of overtime) x 11.5 hours = **\$218.50**
  - $\$1085 + \$218.50 = \mathbf{\$1,303.50}$  (reportable overtime on John's W2)

# RETIREMENT PLANNING – SECURE 2.0 ACT

- Final guidelines issued September 2025 by IRS.
- Provides “Super Catch-up” limits for employees age 60-63 (age as of 12/31).
- High earners required to use Roth Contribution for catch-up and super catch-up contributions:
  - SS Wages over \$145,000.
  - Effective 1/1/26, but IRS is allowing 2026 to be a transition year.
- Contact your retirement plan administrator to verify your plan is set up to accommodate new requirements.

# FMLA CREDIT

- Income tax credit for wages paid for qualifying family and medical leave per FMLA guidelines.
  - **Minimum credit:** 12.5% of wages paid.
  - **Maximum credit:** 25% of wages paid up to 12 credit weeks/employee.
- Introduced in tax year 2018 and extended several times; H.R. 1 made this permanent.
- **Requirements:**
  - Written policy providing at least 2 weeks annual paid family/medical leave.
  - **Qualified employees:** 2025 compensation limit/\$96,000.
  - **Qualified leave:** Family or medical, per FMLA guidelines.

# 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 and deposit employee's share of FICA/Medicare taxes (3rd party may withhold income taxes, if requested).
  - Notify employer of wages and 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 & 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.
- Federal tax deposits must be made via EFT – can be paid through EFTPS.
- IRS will now process Form 945 tax refunds via direct deposit, but you can still choose to have an overpayment applied to a next return (effective March 25, 2025).
- 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 (2026=2024, 2025=2023).
- Penalties similar to payroll deposit rules.

# YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: PENNSYLVANIA

# 2026 PENNSYLVANIA WAGE LIMITS & WITHHOLDINGS

Social Security	\$184,500	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. 199.
- 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

# 2026 MARYLAND WAGE LIMITS & WITHHOLDINGS

Social Security	\$184,500	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.
- 2026 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 set up account by 12/31/25 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) by 12/31 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 2024 – Proposed regulations published – still DRAFT
- April 2025 – Program is delayed until 2027/2028
- 1/1/27 – Deductions/Contributions begin
- 4/30/27 – Q1 report and contributions due
- 1/3/28 – 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. 228.
- 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:
  - [https://www.unclaimed-property.marylandcomptroller.gov/docs/MD\\_Holder\\_Reporting\\_Manual.pdf](https://www.unclaimed-property.marylandcomptroller.gov/docs/MD_Holder_Reporting_Manual.pdf)

# MARYLAND TECH TAX EFFECTIVE 7/1/25

# MARYLAND SALES TAX ON IT SERVICES

- **3% sales tax rate effective 7/1/25.**
- **Sales of data or information technology service:**
  - NAICS codes 518, 519, 5415, 5132.
  - Cloud computing, cloud storage, hosting, and backup.
  - Web hosting and related services.
  - Data processing, analytics, and data services.
  - IT consulting, systems integration, software development services.
  - Software publishing and subscription models (SaaS).

# MARYLAND SALES TAX ON IT SERVICES (cont'd)

- **Compliance and Administration:**

- Vendors (in or out-of-state) with Maryland customers must register, collect and remit 3% tax when applicable.
- MD Tax Connect is used for registration and sales tax returns.
- Out-of-state providers with economic nexus need to comply.
- Sellers must classify services to determine if 3% tax applies.
- Bundled services, if not properly itemized, could make the entire bundle subject to 3% tax.

# MARYLAND SALES TAX ON IT SERVICES (cont'd)

- **Exemptions and Special Rules:**

- Nonprofit or government entities – request exemption certificates.
- Multiple points of use Certificate:
  - When buyer is using in multiple states, including Maryland.
  - Must apply for certificate for each transaction.
- If service will be resold in its original state, buyer should issue a resale certificate to subcontractor.

- **Website:**

- <https://www.marylandcomptroller.gov/individuals/2025-tax-updates.html>

- **Technical Bulletin with more information:**

- <https://www.marylandcomptroller.gov/content/dam/mdcomp/tax/legal-publications/technical-bulletins/tb-56.pdf>

# Q&A

# 10-MINUTE BREAK

# 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 and 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 – EXCLUSIONS UNDER TAX CODE

## 1. IRC Section 132 Exclusions:

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

# FRINGE BENEFITS – EXCLUSIONS UNDER TAX CODE (cont'd)

## 2. Benefits Excluded By Other Code Sections:

- Accident and 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

<b>Under age 25</b>	<b>\$0.05</b>	<b>Age 50 - 54</b>	<b>\$0.23</b>
<b>Age 25 - 29</b>	<b>0.06</b>	<b>Age 55 - 59</b>	<b>0.43</b>
<b>Age 30 - 34</b>	<b>0.08</b>	<b>Age 60 - 64</b>	<b>0.66</b>
<b>Age 35 - 39</b>	<b>0.09</b>	<b>Age 65 - 69</b>	<b>1.27</b>
<b>Age 40 - 44</b>	<b>0.10</b>	<b>Age 70 &amp; above</b>	<b>2.06</b>
<b>Age 45 - 49</b>	<b>0.15</b>		

<b>EXAMPLE: Employee's age at 12/31/25:</b>	<b>55</b>
<b>Employee's GTL benefit:</b>	<b>\$100,000</b>
<b>Employee's GTL deduction per month (after tax):</b>	<b>\$10.50</b>
<b>Taxable wages on the value in excess of \$50,000</b> <b>(100,000 - 50,000) x .43 x .001 - 10.50 = \$11.00/month</b>	<b>\$132.00</b>

# 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 \$61,200
- 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 \$61,200 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 \$0.70 = \$ _____
If fuel is <b>not</b> 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 and 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	<u>\$2,500.00</u>	
Employee's YTD earnings = \$15,000.00 (22% FIT, 6.2% Soc. Sec., 1.45% Medicare 3.07% State, .06% PA UC, 1% local)	100% - 33.78%	= \$3,775.29
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	\$2,500.00	
Employee's YTD earnings = \$15,000.00 (22% FIT, 6.2% Soc. Sec., 1.45% Medicare 7.5% State)	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>
Total Tax		= <u>\$1,477.73</u>
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. 47 - 48 IN BOOKLET*

# Comprehensive Payroll Example

Employee: Michael I Wazowski

Employer: Monster Inc.

Additional information:			
Payroll	"Normal" Biweekly	Year-to-date prior to last pay	
Gross	<b>\$6,923.08</b>	\$ 173,077.00	
Fringe benefits to be included on W2:			
Deductions:			
401(k) contribution	\$ 692.31	\$ 17,307.70	Personal use of automobile <b>\$ 2,000.00</b>
Federal Income tax	\$1,038.46	\$ 25,961.55	Group-term life insurance in excess of >\$50,000 <b>\$ 950.00</b>
FICA:			<b>\$ 2,950.00</b>
Social Security	\$ 187.43	\$ 10,730.77	
Medicare	\$ 100.38	\$ 2,509.62	Employer provided Health Insurance <b>\$ 7,500.00</b>
State income tax	\$ 212.54	\$ 5,313.46	
Local income tax	\$ 69.23	\$ 1,730.77	
SUI	\$ 4.85	\$ 121.15	
	<b>\$4,617.88</b>	<b>\$ 109,401.97</b>	

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

Item	Calculation method	Amount	Year-to-date
Gross	(6,923.08 + 2,950) fixed base + fringe benefits	\$ 9,873.08	\$ 182,950.08
Deductions:			
401(k) contribution	10% of compensation	\$ 692.31	\$ 18,000.01
Federal Income tax		* \$ 1,583.62	\$ 27,545.17
FICA:			
Social Security	(6,923.08 + 2,950.00 - 6,850.08) x .062	** \$ 187.43	\$ 10,918.20
Medicare	(6,923.08 + 2,950) x .0145	\$ 143.16	\$ 2,652.78
State income tax	6,923.08 x .0307	\$ 212.54	\$ 5,526.00
Local income tax	6,923.08 x .010	\$ 69.23	\$ 1,800.00
SUI	(6,923.08 + 2,950) x .0007	\$ 6.91	\$ 128.07
Other	Non-cash fringe benefits	\$ 2,950.00	\$ 2,950.00
		<b>\$ 4,027.89</b>	<b>\$ 113,429.86</b>

\* Federal income tax withheld:  
15% of taxable wages of \$6,230.77  
(Gross pay of \$6,923.08 less 401(k) contribution of 692.31)  
Fringe benefits (2,950 x 22%)

\$ 934.62  
**\$ 649.00**  
**\$1,583.62**

\*\*Social Security tax withheld:  
Year-to-date gross  
Base gross pay  
Taxable fringe benefits  
Subtotal  
Social Security Wage Limit

\$ 173,077.00  
\$ 6,923.08  
**\$ 2,950.00**  
**\$ 182,950.08**  
**\$176,100.00**

Nontaxable Social Security wages **\$ 6,850.08**

<b>22222</b>		Void <input type="checkbox"/>	a Employee's social security number 123-56-8156		For Official Use Only ► OMB No. 1545-0008		
b Employer identification number (EIN) 23-2816272				1 Wages, tips, other compensation 164950.07		2 Federal income tax withheld 27545.17	
c Employer's name, address, and ZIP code MONSTER INC.  100 PIXAR STREET  ANYTOWN PA 32830				3 Social security wages 176100.00		4 Social security tax withheld 10918.20	
				5 Medicare wages and tips 182950.08		6 Medicare tax withheld 2652.78	
				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   7500.00
f Employee's address and ZIP code  1313 HAUNTED LANE ANYTOWN PA 32830				13 Statutory employee	Retirement plan	Third-party sick pay	12b D   18000.01
				14 Other Fringe B PA-SUI	2000.00	128.07	12c C   950.00
							12d
15 State Employer's state ID number PA   2014 9470		16 State wages, tips, etc. 180000.08		17 State income tax 5526.00		18 Local wages, tips, etc. 180000.08	
						19 Local income tax 1800.00	
						20 Locality name 22	

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

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

**2025**  
0000/ 1030D

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

# Q&A

# 10-MINUTE BREAK

# SMALL BUSINESS ACCOUNTING AUTOMATION TIPS & TRICKS

Brian Marchuck, CPA  
Audit Principal

# AGENDA

- Why automate now?
- Core principles for small teams
- Workflow deep-dives: Accounts Payable (AP), Accounts Receivable (AR), bank feeds, expenses, payroll
- Month-end close and reporting
- Controls, security, and compliance
- Roadmap: 30 - 60 - 90 days, Return on Investment (ROI), and common pitfalls
- Resources and next steps

# WHY AUTOMATE YOUR ACCOUNTING?

- **Reduce manual entry** (40–70% of staff time in many small teams).
- **Faster cycle times:** close in days, not weeks.
- **Fewer errors,** stronger audit trail.
- **Better visibility:** real-time cash and Key Performance Indicators (KPIs).

# CORE PRINCIPLES

- **Standardize First:**
  - Define who does what, when, and how.
  - Lock in naming conventions and coding rules.
- **Automate Second:**
  - Use built-in rules before custom integrations.
  - Measure before / after.
- **Small Wins, Then Scale:**
  - Pilot one workflow.
  - Document and train.

# ACCOUNTS PAYABLE (AP): TIPS & TRICKS

- **Digital Intake:**
  - Use a single Accounts Payable (AP) inbox
  - Auto-forward bills from vendors
- **Optical Character Recognition (OCR) and Coding:**
  - Adopt Dext / Hubdoc / QuickBooks Online (QBO) Receipt Capture
  - Create vendor-specific coding rules
- **Approvals:**
  - 2-step: Amount thresholds + department owner
  - Mobile approvals
- **Payments:**
  - Batch via Bill.com / Melio
  - Schedule to due dates; use ACH when possible
- **Vendor Master Hygiene:** W-9 on file, ACH info verified, duplicate vendor prevention

# AP CONTROLS TO KEEP

- Segregate: Preparer vs. approver vs. payer (at least 2 of 3).
- Thresholds: e.g., > \$2,500 needs manager approval.
- Blocked vendors list and change alerts for banking details.
- Recurring vendor review every 6-12 months.

# ACCOUNTS RECEIVABLE (AR): TIPS & TRICKS

- **Invoicing:**

- Templates with items / services pre-coded.
- Automated invoice schedules for retainers.

- **Collections:**

- Automatic reminders: 3 / 7 / 14 / 30 days.
- Payment links on every invoice.

- **Cash Application:**

- Bank rules to auto-match.
- Customer-specific reference rules.

- **Offer Card / ACH options;** pass fees where allowed by policy.

# BANK FEEDS & RULES

- Turn on direct bank feeds for all accounts and cards.
- Rules strategy:
  - Start broad categories (fuel, subscriptions).
  - Add payee-specific rules for top 20 vendors.
- Use transaction memos to encode job / class / dept.
- Daily 5-minute reconcile habit to avoid month-end pileups.

# EXPENSE MANAGEMENT (CARDS & RECEIPTS)

- **Virtual/Department Cards:**
  - Set per-card limits and merchant controls.
  - Auto-lock on missing receipts.
- **Mobile Capture:**
  - Require receipt at point of spend.
  - Auto-categorize common merchants.
- **Policy in App:** meals limits, travel classes, tip guidelines.
- Auto-sync to General Ledger (GL) with classes / departments.

# PAYROLL & TIME TRACKING

- Integrate time kiosk / app; auto-approve by supervisor.
- Map earning codes to General Ledger (GL) classes / departments.
- Automate recurring stipends / benefits; audit quarterly.
- U.S. Form W-4 / U.S. Form I-9 e-collection; reminders for expiring docs / certs.

# MONTH-END CLOSE: CHECKLIST AUTOMATION

- Central checklist with owners and due dates.
- Auto-roll forward schedules (prepaids, accruals, deferrals).
- Recurring journal templates (payroll allocation, amortizations).
- Variance analysis prompts and saved views.

# REPORTING & DASHBOARDS

- **Core Key Performance Indicators (KPIs):**
  - Cash runway and burn.
  - Days Sales Outstanding (DSO) / Days Payables Outstanding (DPO), current ratio.
  - Gross margin %, labor %.
- Auto-distribute board packs monthly.
- Use classes / departments for segment views.
- Annotate reports with automated variance notes.

# DOCUMENT CAPTURE & RETENTION

- Auto-file bills, receipts, and statements by vendor / month.
- Name pattern: YYYY-MM Vendor Description Amount.
- Retention policy: 7 years (typical) with secure archive.
- Link documents to transactions for easy audits.

# NO-CODE AUTOMATION PLATFORMS

- Zapier / Make / Power Automate for glue between apps.
- **Great fits:**
  - AP inbox → Optical Character Recognition (OCR) → General Ledger (GL).
  - Time app → payroll system.
  - Customer Relationship Management (CRM) won-deal → recurring invoice.
- Start with event-driven triggers; add error alerts.

# USING AI AS A COPILOT

- Draft vendor / customer emails and collection notes.
- Categorize ambiguous transactions with explanations.
- Summarize variance drivers for monthly reporting.
- Generate Summary of Procedures (SOP) drafts from your best practices.

# SECURITY & ACCESS HYGIENE

- Single-Sign On (SSO) / Multi-factor Authentication (MFA) on all finance apps.
- Least-privilege roles; quarterly access reviews.
- Vendor bank change controls with call-backs.
- Backups and recovery tests; incident response plan.

# COMPLIANCE & AUDIT TRAIL

- Lock periods after close; use adjusting journal entry (JE) numbers.
- Document approvals in-app; avoid email-only approvals.
- Maintain W-9/1099 workflows; sales tax nexus monitoring.
- Exportable audit logs for each workflow.

# 30-60-90 DAY ROADMAP

- **Days 1–30:**
  - Document current processes and roles.
  - Turn on bank feeds; pilot Accounts Payable (AP) intake + Optical Character Recognition (OCR).
- **Days 31–60:**
  - Implement approvals and payment batching.
  - Stand up expense cards and receipt policy.
- **Days 61–90:**
  - Automate close checklist and recurring journal entries (JEs).
  - Build Key Performance Indicators (KPI) dashboard and auto-distribution.

# SIMPLE ROI MODEL

- **Time Savings:**
  - Current hours per process vs automated.
  - Value time at fully-loaded rate.
- **Error Reduction:**
  - Chargebacks, late fees, rework hours drop.
- **Cash Impact:**
  - Days Sales Outstanding (DSO) / Days Payable Outstanding (DPO) improvements → working capital.
- **Target Payback:**  $\leq 6$  months on core tools.

# COMMON PITFALLS (AND FIXES)

- **Automating Chaos:**
  - Fix process and naming first.
- **Too Many Tools:**
  - Consolidate to a standard stack.
- **No Owner:**
  - Assign Responsibilities; add backup.
- **No Training:**
  - Short Summary of Procedures (SOPs), refresh quarterly.

# MINI CASE STUDY (EXAMPLE)

- **Baseline:**

- Accounts Payable (AP) cycle 10 days; missing receipts; Days Sales Outstanding (DSO) 48.

- **Actions:**

- Central inbox + Optical Character Recognition (OCR )+ approvals; virtual cards; reminders.

- **Results (90 days):**

- Accounts Payable (AP) cycle 3 days; receipts 98%; Days Sales Outstanding (DSO) 36; close by day 5.

# RECOMMENDED STARTER STACKS

- **QuickBooks Online (QBO):**

- Bill.com/Melio
- Ramp/Divvy
- Dext/Hubdoc
- Gusto/ADP
- Zapier/Power Automate

- **Xero:**

- ApprovalMax
- Airwallex/Wise
- Hubdoc
- Employment Hero/Deel
- Make/Zapier

# SUMMARY OF PROCEDURES (SOPs) & TRAINING CADENCE

- One-page Summary of Procedures (SOP) per workflow [goal, steps, owner, Service Level Agreements (SLA).
- Quarterly refresh and new hire onboarding module.
- Record 3-minute screen-capture walkthroughs.
- Track Service Level Agreements (SLA) performance on a team dashboard.

# NEXT STEPS & Q&A

- **This week:**
  - Choose pilot workflow and metrics.
  - Draft 1-page Statement of Policies (SOP); turn on bank feeds.
- **This month:**
  - Implement approvals + batch payments.
  - Launch Key Performance Indicators (KPI) dashboard email.
- **Resource:** Pg. 129 in booklet
- **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.

**Request for Taxpayer  
 Identification Number and Certification**  
 Go to [www.irs.gov/FormW9](http://www.irs.gov/FormW9) for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

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

<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. <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) _____ Note: 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) _____
<b>4</b>	Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____ (Applies to accounts maintained outside the United States.)
<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.
<b>6</b>	City, state, and ZIP code
<b>7</b>	List account number(s) here (optional)
Requester's name and address (optional)	

**Part I Taxpayer Identification Number (TIN)**

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.

<b>Social security number</b>	
[ ] [ ] [ ] [ ]	- [ ] [ ] - [ ] [ ] [ ] [ ]
<b>OR</b>	
<b>Employer identification number</b>	
[ ] [ ] [ ] [ ] [ ] [ ]	- [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

**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.

**Part II Certification**

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 February 2, 2026, for paper forms.
  - Due March 31, 2026, for e-file.
- **Form 1099-NEC:**
  - Due February 2, 2026, 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 March 2 this year, 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. April 2025)	
		\$	For calendar year	<b>Copy 1 For State Tax Department</b>
		3 Other income	4 Federal income tax withheld	
		\$	\$	
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	
		\$	\$	
		11 Fish purchased for resale	12 Section 409A deferrals	
		\$	\$	
		13 FATCA filing requirement <input type="checkbox"/>	14	
			15 Nonqualified deferred compensation	
		\$	\$	
Account number (see instructions)		16 State tax withheld	17 State/Payer's state no.	18 State income
		\$		\$
		\$		\$

Form **1099-MISC** (Rev. 4-2025)

[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		<b>Nonemployee Compensation</b>
		Form <b>1099-NEC</b>		
		(Rev. April 2025)		
		For calendar year _____		
PAYER'S TIN	RECIPIENT'S TIN	<b>1</b> Nonemployee compensation		<b>Copy 1 For State Tax Department</b>
		\$ _____		
RECIPIENT'S name		<b>2</b> Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>		
Street address (including apt. no.)		<b>3</b> Excess golden parachute payments		
City or town, state or province, country, and ZIP or foreign postal code		\$ _____		
Account number (see instructions)		<b>4</b> Federal income tax withheld		
		\$ _____		
		<b>5</b> State tax withheld	<b>6</b> State/Payer's state no.	<b>7</b> State income
		\$ _____	_____	\$ _____
		\$ _____	_____	\$ _____

Form **1099-NEC** (Rev. 4-2025)

[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 filled 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 ▶ \_\_\_\_\_

# ELECTRONIC FILING

- **Reminders:**

- IRS mandates e-filing when 10 information returns needed or more.
- Includes all aggregated forms filed.

- **Free Portal for Businesses (IRIS):**

- Free to register and use.
- Review the requirements document before applying.
- <https://www.irs.gov/tax-professionals/iris-application-for-tcc>

Form <b>8508</b> (November 2023)	Department of the Treasury - Internal Revenue Service <b>Application for a Waiver from          Electronic Filing of Information Returns</b> <small>(Forms W-2, W-2AS, W-2G, W-2GU, W-2PR, W-2PI, 1042-S, 1097-BTC, 1098 Series except 1098-F, 1099 Series, 3921, 3922, 5498 Series except 5498-QA, 8027, ACA Forms 1095-B, 1095-C, or an Authoritative Transmittal Form 1094-C (Refer to Instructions for Form 1094-C and 1095-C))          (Type or print in <b>black ink</b> when completing this form - Refer to instructions on the back.)</small>	OMB Number 1545-0957
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**Note:** Only the person required to file electronically can sign Form 8508. A transmitter cannot sign Form 8508 for the issuer unless a power of attorney has been established. If you have a power of attorney, attach a copy to this form.

<b>1. Type of submission</b> <input type="checkbox"/> Original <input type="checkbox"/> Reconsideration	<b>1a. Requested tax year</b>
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<b>2. Issuer name, complete address, and contact person name and telephone number</b> <small>((if different than issuer name. (A separate Form 8508 must be filed for each issuer requesting a waiver))</small> Issuer name _____ Address _____ City _____ State _____ Zip code _____	<b>3. Taxpayer Identification Number</b> <small>(9-digit EIN/SSN)</small> _____ <b>4. Contact person</b> _____ Telephone number _____ Email address _____
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5. Waiver Requested for:	Enter the Number of Returns that:		Waiver Requested for:	Enter the Number of Returns that:	
	(a) You expect to file on paper	(b) You expect to file next tax year		(a) You expect to file on paper	(b) You expect to file next tax year
<input type="checkbox"/> 1042-S			<input type="checkbox"/> 1099-OID		
<input type="checkbox"/> 1094-C/1095-C			<input type="checkbox"/> 1099-PATR		
<input type="checkbox"/> 1095-B			<input type="checkbox"/> 1099-Q		
<input type="checkbox"/> 1097-BTC			<input type="checkbox"/> 1099-QA		
<input type="checkbox"/> 1098			<input type="checkbox"/> 1099-R		
<input type="checkbox"/> 1098-C			<input type="checkbox"/> 1099-S		
<input type="checkbox"/> 1098-E			<input type="checkbox"/> 1099-SA		
<input type="checkbox"/> 1098-Q			<input type="checkbox"/> 1099-SB		
<input type="checkbox"/> 1098-T			<input type="checkbox"/> 3921		
<input type="checkbox"/> 1099-A			<input type="checkbox"/> 3922		
<input type="checkbox"/> 1099-B			<input type="checkbox"/> 5498		
<input type="checkbox"/> 1099-C			<input type="checkbox"/> 5498-ESA		
<input type="checkbox"/> 1099-CAP			<input type="checkbox"/> 5498-SA		
<input type="checkbox"/> 1099-DIV			<input type="checkbox"/> 8027		
<input type="checkbox"/> 1099-G			<input type="checkbox"/> W-2		
<input type="checkbox"/> 1099-INT			<input type="checkbox"/> W-2AS		
<input type="checkbox"/> 1099-K			<input type="checkbox"/> W-2G		
<input type="checkbox"/> 1099-LS			<input type="checkbox"/> W-2GU		
<input type="checkbox"/> 1099-LTC			<input type="checkbox"/> W-2PR		
<input type="checkbox"/> 1099-MISC			<input type="checkbox"/> W-2VI		
<input type="checkbox"/> 1099-NEC					

**6.** Are you completing this form because using the technology required to file electronically conflicts with your  Yes  No **religious beliefs** and you are requesting the IRS record your **religious exemption**

**7.** Is this waiver requested for corrections ONLY? **Note:** If filing through IRIS, leave box 7 blank  Yes  No

**8.** Is this the first time you requested a waiver from the electronic filing requirements for any of the forms listed in Block 5  
 Yes (Skip to signature line)     No (See instructions for required documents and complete Block 9 if your request is due to undue hardship)



# 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
2026	\$60	\$130	\$340	\$680
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 2025 forms are due to PA by February 2, 2026.

# 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 & annual reconciliations.
- REV-1832 (pg. 207 - 208 in booklet).

# MARYLAND 1099 REPORTING

- Participates in federal combined reporting program.
- Federal 1099-MISC and 1099-NEC only need 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:**

1. Six Factor Test - Department of Labor (DOL):
2. Opportunity for profit or loss depending on managerial skill;
3. Investments by the worker and the employer;
4. Permanence of the work relationship;
5. Nature & degree of control;
6. Whether the work performed is integral to the employer's business, and;
7. Skill and initiative.

- **Three Prong Test (IRS):**

1. Behavioral Control.
2. Financial Control.
3. Type of Relationship.

- **Voluntary Classification Settlement Program (VCSP).**

# INFORMATION RETURN COMPLIANCE ISSUES (cont'd)

- **Backup Withholding:**
  - Required withholding rate of 24%.
  - "B" Notices.

# FORM 1099-DA (DIGITAL ASSET)

7A7A <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		Applicable checkbox on Form 8949		OMB No. 1545-2330	<b>Digital Asset Proceeds From Broker Transactions</b>
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				<b>2025</b> Form <b>1099-DA</b>	
FILER'S TIN		RECIPIENT'S TIN		1a Code for digital asset	
RECIPIENT'S name		1c Number of units		1b Name of digital asset	
Street address (including apt. no.)		1d Date acquired	1e Date sold or disposed		
City or town, state or province, country, and ZIP or foreign postal code		1f Proceeds \$	1g Cost or other basis \$		
Account number		1h Accrued market discount \$	1i Wash sales loss disallowed \$		
CUSIP number		2 Check if basis reported to IRS <input type="checkbox"/>	3a Reported to IRS: <input type="checkbox"/> Gross proceeds <input type="checkbox"/> Net proceeds		
5 Check if loss is not allowed based on amount in 1f <input type="checkbox"/>		3b Check if proceeds from: <input type="checkbox"/> Reserved for future use <input type="checkbox"/> QOF		4 Federal income tax withheld \$	
6 Gain or loss: <input type="checkbox"/> Short-term <input type="checkbox"/> Ordinary <input type="checkbox"/> Long-term		7 Check if 1f is only cash <input type="checkbox"/>		8 Check if broker relied on customer-provided acquisition information <input type="checkbox"/>	
9 Check if digital asset is a noncovered security <input type="checkbox"/>		10			11a Check if gross proceeds reported in 1f is an aggregate amount for: <input type="checkbox"/> Qualifying stablecoins <input type="checkbox"/> Specified NFTs
11b If 11a checked, number of transactions		11c For aggregate reporting of specified NFTs, aggregate gross proceeds reported in 1f that are attributable to first sales by creator or minter \$		12a Number of units transferred in	
14 State name		15 State identification no.		12b If transferred in, provide transfer-in date	
16 State tax withheld \$				13	

**Copy A**  
**For Internal Revenue Service Center**

For filing information, Privacy Act, and Paperwork Reduction Act Notice, see the **General Instructions for Certain Information Returns.**

[www.irs.gov/Form1099](http://www.irs.gov/Form1099)

Form **1099-DA** Cat. No. 735671 [www.irs.gov/Form1099DA](http://www.irs.gov/Form1099DA) Department of the Treasury - Internal Revenue Service

# Q&A

# REFERENCE MATERIAL

1. List of Helpful Government Publications on 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*



**Brian Marchuck, CPA**  
*Audit Principal*  
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**Abbie Cawood, CB**  
*Outsourced Accounting Senior Manager*  
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