

2023 YEAR-END PAYROLL & INFORMATION REPORTING SEMINAR

NOVEMBER 15, 2023

PRESENTED BY:

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- ❖ As required by our CPE program sponsor organization, for attendance tracking purposes, we will be displaying 3 polling questions per 50-minute CPE credit hour on your screen throughout the duration of this presentation (9 polling questions total for this seminar).
- ❖ **You must answer all 9 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.

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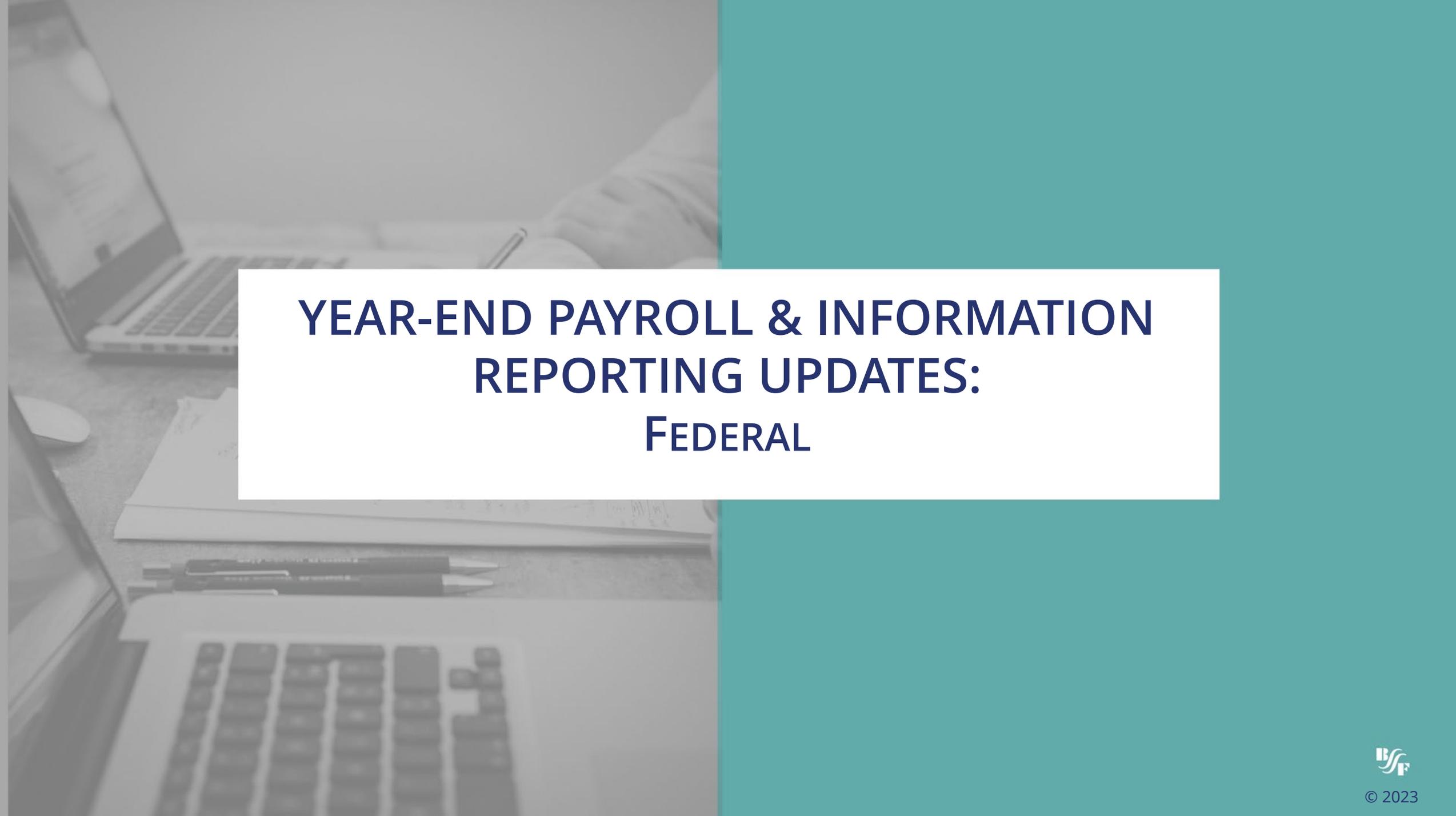
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AGENDA

- ❖ Year-End Payroll & Information Reporting Updates
- ❖ State and Local Tax (SALT) Update
- ❖ Q&A Session #1
- ❖ *10-Minute Break*
- ❖ Employee Retention Credit (ERC) Update
- ❖ COBRA
- ❖ Overtime Regulations
- ❖ Fringe Benefits
- ❖ Information Returns
- ❖ Comprehensive Example
- ❖ Beneficial Ownership Information Reporting
- ❖ Q&A Session #2



YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: FEDERAL

PAYROLL REPORTING

SICK PAY

- ❖ Coverage Period
- ❖ 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 – July 31, 2026
 - ❖ 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 (2024=2022, 2023=2021)

- ❖ Penalties similar to payroll deposit rules

ELECTRONIC FUNDS TRANSFER

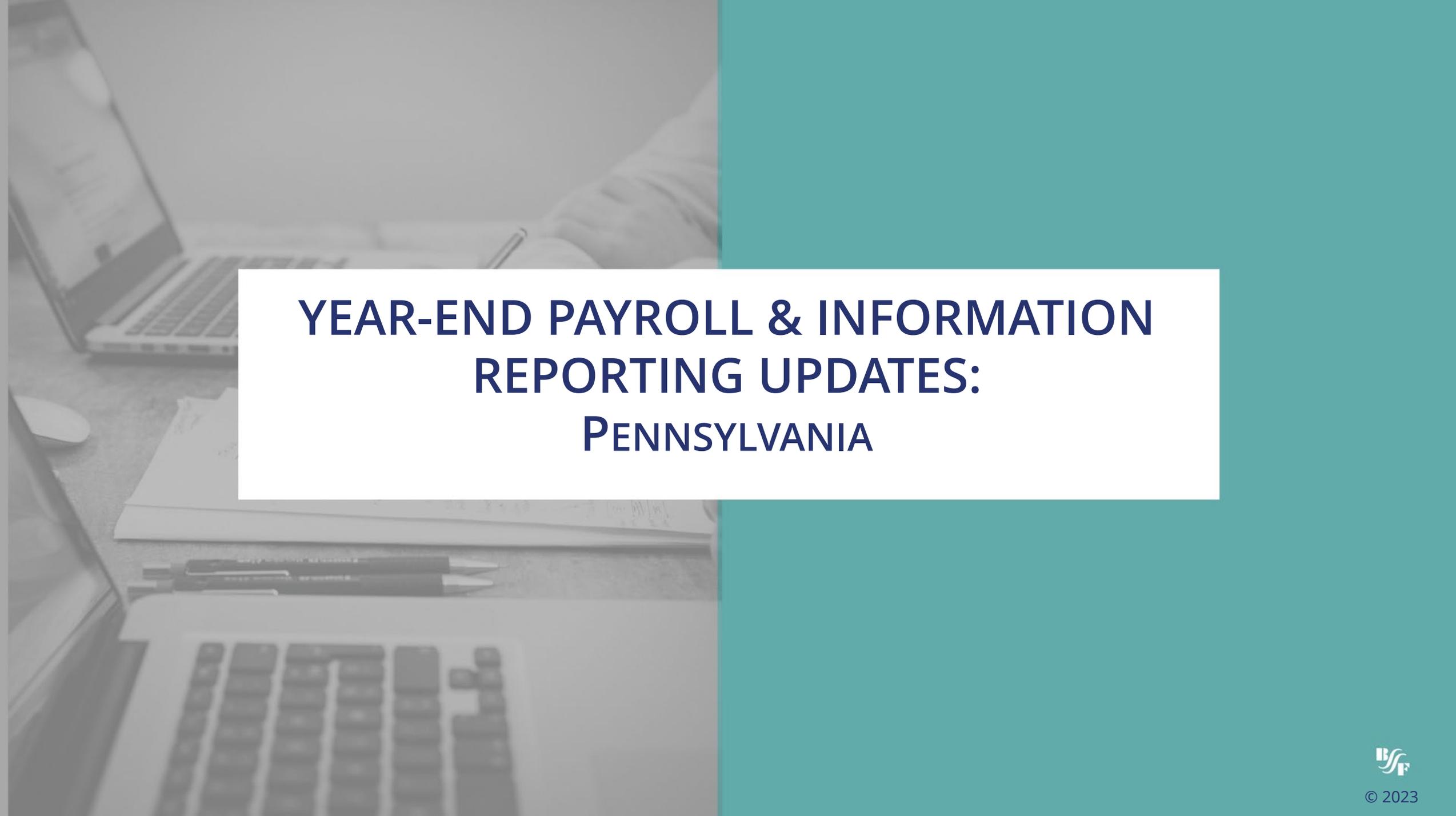
ELECTRONIC FUNDS TRANSFER - FEDERAL

❖ EFTPS (www.EFTPS.gov)

- ❖ Mandatory electronic payment of all federal tax deposits other than certain payments under \$2,500 that can be made with tax returns
- ❖ Payment methods (ACH Debit or ACH Credit)
- ❖ 10% penalty assessed for noncompliance

EFTPS SECURITY PRACTICES

- ❖ Effective October 19, 2023, EFTPS requires Multifactor Authentication to access system
- ❖ You can register with either LOGIN.GOV or ID.*me*
- ❖ Each time you go into EFTPS you will be redirected to a separate page to authenticate with a CSP, then redirected back EFTPS log-in screen



YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: PENNSYLVANIA

2024 PENNSYLVANIA WAGE LIMITS AND WITHHOLDINGS

Social Security	\$168,600	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/

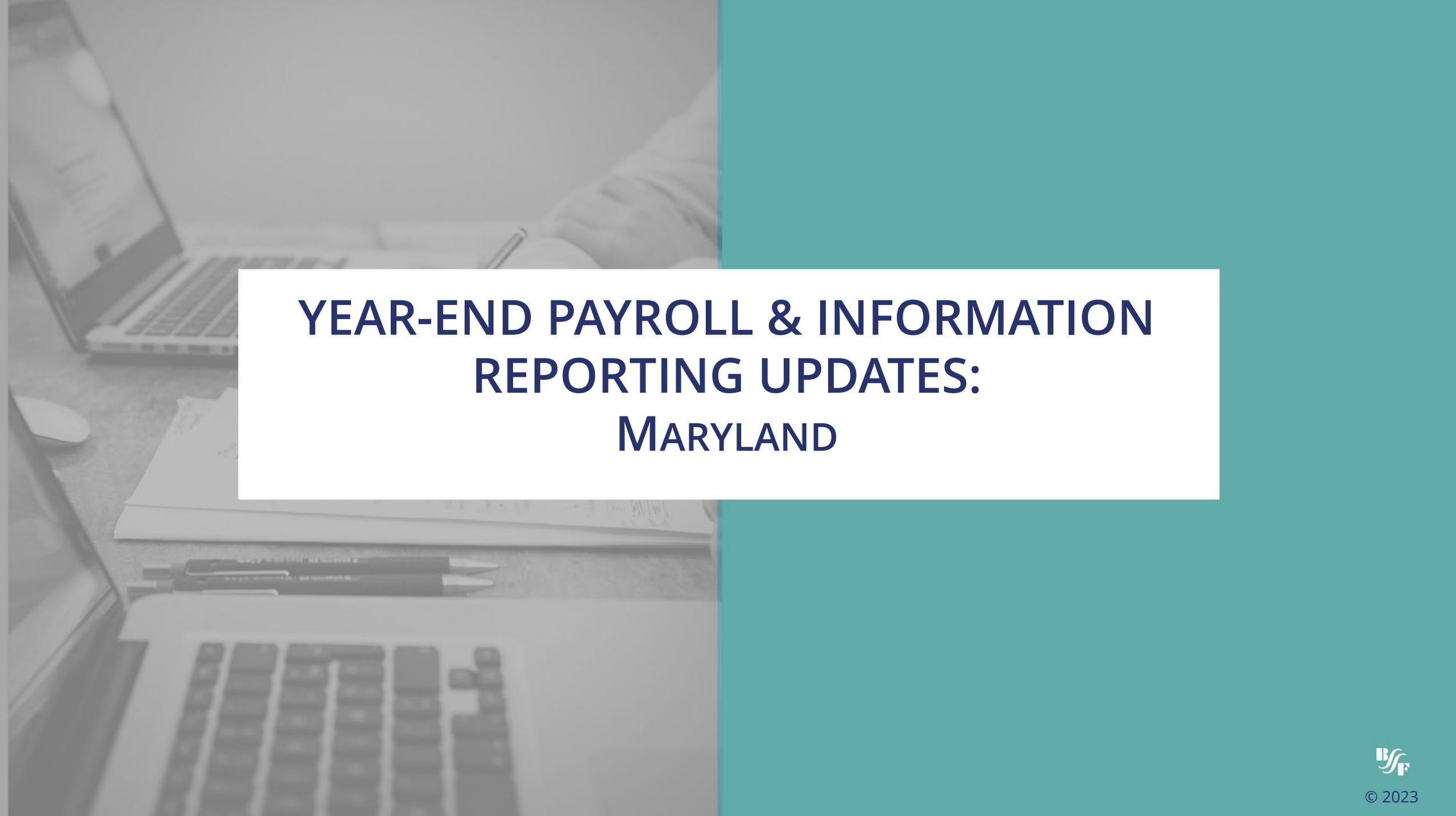


ELECTRONIC FUNDS TRANSFER - PENNSYLVANIA

- ❖ 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. 202.
- ❖ 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



YEAR-END PAYROLL & INFORMATION REPORTING UPDATES: MARYLAND

2024 MARYLAND WAGE LIMITS AND WITHHOLDINGS

Social Security	\$168,600	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.
- ❖ 2024 Withholding Tax Facts (available in December):
 - ❖ <https://www.marylandtaxes.gov/pros/tax-facts/index.php>

ELECTRONIC FUNDS TRANSFER - MARYLAND

- ❖ B-file system can be used to file and pay Employer Withholding and Sales and Use Tax electronically
- ❖ New system coming in February 2024 – Maryland Tax Connect

MARYLAND NEW HIRE REPORTING

❖ Report new hires within 20 days of hiring date:

❖ 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 12/1/23 receive waiver of MD PPT annual filing fee of \$300
- ❖ Employers must recertify their exemption (existing retirement plan or non-automated payroll system) each year to receive waiver of MD PPT filing fee.

MARYLANDSAVES PROGRAM (CONT'D)

❖ Registration Process:

- ❖ Sign up using MD-provided Access code, EIN and SDAT number
- ❖ Provide list of employees with personal information (SS#, DOB, contact info, etc.)

❖ Sign-Up Process:

- ❖ MarylandSaves reaches out to employees
- ❖ Employers will be notified if Employees opt in
- ❖ Employers set up deduction in payroll system

MARYLANDSAVES PROGRAM (CONT'D)

❖ Payroll & Update Process:

- ❖ Employers submit report of withholding with each payroll
 - ❖ Payment is debited from Employer bank account
 - ❖ Employers update employee list with new hires
- ❖ Websites: <http://www.marylandsaves.com/>
<http://www.marylandsaves.org/>

MARYLAND PAID FAMILY AND MEDICAL LEAVE (FAMLI)

❖ Timeline:

- ❖ Early 2024 – Rules and regulations to be published
- ❖ 10/1/24 - Deductions/Contributions begin
- ❖ 1/1/26 - Benefits become available to employees

❖ Contribution Guidelines:

- ❖ .90% of covered wages divided between employer/employee
- ❖ 14 or fewer employees – no employer contribution
- ❖ Website: <https://www.dlir.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:
 - ❖ http://comptroller.marylandtaxes.gov/Public_Services/Unclaimed_Property/



STATE AND LOCAL TAX (SALT) UPDATE

State and Local Update

Presented by:

Jason Skrinak, CPA

Pivot Strategic Consulting



Agenda

- Nexus Updates
 - Remote Employees
 - Public Law 86-272
 - Economic Nexus
- Pennsylvania Tax Updates
 - Corporate Tax Updates (Budget)
 - Personal Income Tax Updates (Budget)
 - Credits and Incentives (Budget)
 - Sales and Use Tax Updates
- Maryland Updates



Nexus Updates

Nexus Updates

- Remote Employees
 - Creates Physical Presence
 - Multi-State Commission – Factor Presence
 - \$50,000 Payroll (or 25% of total)
 - \$50,000 Property (or 25% of total)
 - \$500,000 sales (or 25% of total)
 - Reciprocal Agreement States
 - Convenience of the employer
 - Convenience of employee
 - Taxes to be Considered
 - Income/Franchise
 - Sales and Use
 - Employer Withholding
 - Local Taxes

Nexus Updates

- Public Law 86-272
 - Solicitation of Sale of Tangible Personal Property
 - MTC Updates on Solicitation
 - Interaction with customers on website
 - New York and California Applying New Solicitation Standard
- Economic Nexus
 - Rule of Thumb - \$100,000 of Sales into the State
 - Gross Sales
 - Retail Sales
 - Taxable Retail Sales
 - Different Effective Dates
 - Taxes Not Limited to Sales and Use Tax
 - Only Applies to Income Tax
 - Agency/Affiliate Nexus
 - Heresay Nexus

Pennsylvania Tax Updates

Pennsylvania Net Income Tax Updates

- Corporate Net Income Tax Rate Reduction
 - 9.99% Cut to 8.99% Effective 1/1/2023
 - Additional 0.5% Reduction Annually
 - 4.99% Rate in 2031
 - Beware of Phase-Outs (Capital Stock/Foreign Franchise Tax)
 - Possible Further Reduction – 7.99% in 2023 and 1% Annual Reduction to 2026
- Possible NOL Legislation – 10% of Additional NOL Usage – From 40% to 80% (2024 through 2027)
- Combined Reporting Being Considered
- Considering Pass-Through Entity Tax
- Non-Resident Credit for PTE – Consideration for Similar Treatment for Partnerships as S Corporations Receive

Maryland Update

Maryland Update

- Maryland Tax Alert – Electing Pass-Through Entity (Years Beginning after 12/31/2022)
 - Election or Non-Election is Irrevocable
 - Not to Elect – PTE Decides to Pay Mandatory Tax of Non-Resident Individuals and Non-Resident Entities with 1st Filing of Payment of Tax for the Year
 - To Elect – Elected to Pay Tax for All Members
 - Minimum connection with a state whereby a State can impose a tax
 - Differs amongst states
 - Differs amongst types of tax
- Maryland PTE – Processing – Tax Practitioner Letter 9-19-23
 - Refundable PTE Credits for Individuals Taking Time to Process
 - Validation of Credit is Made for Each Return
 - Maryland Actions
 - Designated Team to Resolve PTE Issues
 - Cease Sending Income Tax Assessment Notices for Underpayment for PTE Credit Claims
 - Practitioner Assistance – File and Pay Electronically, Match PTE Credit Claimed, Confirm PTE Paid Tax, Add back PTE Claimed as Income, Use Electronic Version of K-1 Submission.

Questions?



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Q&A SESSION #1

10-MINUTE BREAK

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 2020 = 3/15/24; Calendar year 2021= 3/15/25
- ❖ IRS halts processing ERC claims to review filings for fraud or other questionable filings
- ❖ Processing new ERC claims expected to resume on or after January 1, 2024

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



OVERTIME REGULATIONS

UPDATE ON OVERTIME REGULATIONS

- ❖ Final rule effective January 1, 2020
 - ❖ Minimum salary threshold increased to \$35,568 (\$684/week)
- ❖ Pennsylvania overtime rule
 - ❖ Repealed in 2021; follows federal
 - ❖ Tipped and salaried employees
 - ❖ Fluctuating workweek effective August 5, 2022
 - ❖ See link to PA Department of Revenue website for resources
 - ❖ Minimum salary threshold potential increase to \$1,059 per week beginning in 2024

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
Accountable plan		
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
Nonaccountable plan		
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 12/31/22:	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) x .43 x .001 - 10.50 = \$11.00/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 \$60,800
- ❖ 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 th year and every four years thereafter).	\$ _____
Annual lease value, per attached chart	\$ _____ ⁽¹⁾
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 _____ ⁽²⁾	+ _____
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 \$60,800 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 \$0.655 = \$ _____
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 \$130,000 or more, a control employee whose compensation equals or exceeds \$265,000 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	\$ _____

⁽¹⁾ 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.

⁽²⁾ 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	<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	<u>\$2,500.00</u>	
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>
		= <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

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
 - ❖ 3 forms fit on one page
 - ❖ Separate 1096

FILING DUE DATES

❖ Form 1099-MISC

- ❖ Due January 31, 2024, for paper forms
- ❖ Due April 1, 2024, for e-file

❖ Form 1099-NEC

- ❖ Due January 31, 2024, 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	
		\$ _____		Form 1099-MISC	
		2 Royalties		(Rev. January 2022)	
		\$ _____		For calendar year 20 ____	
		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.)		9 Crop insurance proceeds		10 Gross proceeds paid to an attorney	
		\$ _____		\$ _____	
City or town, state or province, country, and ZIP or foreign postal code		11 Fish purchased for resale		12 Section 409A deferrals	
		\$ _____		\$ _____	
		13 FATCA filing requirement <input type="checkbox"/>	14 Excess golden parachute payments		15 Nonqualified deferred compensation
			\$ _____		\$ _____
Account number (see instructions)		16 State tax withheld		17 State/Payer's state no.	18 State income
		\$ _____			\$ _____
		\$ _____			\$ _____

Miscellaneous Information

**Copy 1
For State Tax Department**

ELECTRONIC FILING

- ❖ New beginning this year – 2023 forms:
 - ❖ IRS has updated filing requirements and lowered the threshold from 250 to 10 forms.
 - ❖ Includes all aggregated forms filed.
- ❖ New 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
2023	\$50	\$110	\$290	\$580
2022	\$50	\$110	\$280	\$570
2021	\$50	\$110	\$280	\$560
2020	\$50	\$110	\$270	\$550
2019	\$50	\$100	\$270	\$540
2018	\$50	\$100	\$260	\$530
2017	\$50	\$100	\$260	\$530
2016	\$50	\$100	\$260	\$520
2011 - 2015	\$30	\$60	\$100	\$250

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 2023 forms are due to PA by January 31, 2024.

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)

- ❖ Back-up Withholding
 - ❖ Required withholding rate of 24%
 - ❖ "B" Notice
 - ❖ Form W-9 (Revised October 2018)

**COMPREHENSIVE EXAMPLE
PG. 52 – 53 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	\$6,220.00	\$ 155,500.00		
Fringe benefits to be included on W2:				
Deductions:				
401(k) contribution	\$ 622.00	\$ 15,550.00	Personal use of automobile	\$ 1,712.50
Federal Income tax	\$ 933.00	\$ 23,325.00	Group-term life insurance in excess of >\$50,000	\$ 132.00
FICA:				<u>\$ 1,844.50</u>
Social Security	\$ 385.64	\$ 9,641.00	Employer provided Health Insurance	\$ 6,900.00
Medicare	\$ 90.19	\$ 2,254.75		
State income tax	\$ 190.95	\$ 4,773.85		
Local income tax	\$ 62.20	\$ 1,555.00		
SUI	\$ 4.35	\$ 108.85		
	<u>\$3,931.66</u>	<u>\$ 98,291.55</u>		

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

Item	Calculation method	Amount	Year-to-date
Gross	(6,220.00 + 1844.50) fixed base + fringe benefits	\$ 8,064.50	\$ 163,564.50
Deductions:			
401(k) contribution	10% of compensation (6,220.00 + 1,844.50)	\$ 806.45	\$ 16,356.45
Federal Income tax		* \$ 1,217.82	\$ 24,542.82
FICA:			
Social Security	(6,220.00 + 1,844.50 - 3364.50) x .062	** \$ 291.40	\$ 9,932.40
Medicare	(6,220.00 + 1,844.50) x .0145	\$ 116.94	\$ 2,371.69
State income tax	(6,220.00 x .0307)	\$ 190.95	\$ 4,964.80
Local income tax	(6,220.00 x .010)	\$ 62.20	\$ 1,617.20
SUI	(6,220.00 + 1,844.50) x .0006	\$ 4.84	\$ 113.69
Other	Non-cash fringe benefits	\$ 1,844.50	\$ 1,844.50
		<u>\$ 3,529.40</u>	<u>\$ 101,820.95</u>

* Federal income tax withheld:

15% of taxable wages of \$5,413.55 (Gross pay of \$6,220 less 401(k) contribution of \$806.45)	\$ 812.03
Fringe benefits (1,844.50 x .22)	\$ 405.79
	<u>\$1,217.82</u>

**Social Security tax withheld:

Year-to-date gross	\$ 155,500.00
Base gross pay	\$ 6,220.00
Taxable fringe benefits	\$ 1,844.50
Subtotal	\$ 163,564.50
Social Security Wage Limit	\$ 160,200.00

Nontaxable Social Security wages \$ 3,364.50

22222		Void <input type="checkbox"/>	a Employee's social security number 122-22-0000		For Official Use Only ► OMB No. 1545-0008		
b Employer identification number (EIN) 12-3456789				1 Wages, tips, other compensation 147208.05		2 Federal income tax withheld 24542.82	
c Employer's name, address, and ZIP code MONSTER INC. 100 PIXAR STREET ANYTOWN PA 32830				3 Social security wages 160200.00		4 Social security tax withheld 9932.40	
				5 Medicare wages and tips 163564.50		6 Medicare tax withheld 2371.69	
				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	
f Employee's address and ZIP code 1313 HAUNTED LANE ANYTOWN PA 32830				12a See instructions for box 12 DD 6900.00		12b D 16356.45	
				13 Statutory employee Retirement plan Third-party sick pay X		12c C 132.00	
				14 Other Fringe B 1712.50 PA-SUI 114.50		12d	
15 State Employer's state ID number PA 0001 0002		16 State wages, tips, etc. 161720.00		17 State income tax 4964.80		18 Local wages, tips, etc. 161720.00	
						19 Local income tax 1617.20	
						20 Locality name 22	

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

2023
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 10/04/22 QB



BENEFICIAL OWNERSHIP INFORMATION 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

Q&A SESSION #2

REFERENCE MATERIAL

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

FINAL QUESTIONS & COMMENTS

Please remember to fill out the evaluation survey.

Thank you!