



2023 Annual Payroll Tax & Fringe Benefit Update

Presented by
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Agenda

- Payroll Thresholds & Updates
- Hot Topics in Payroll
- IRS Guidance
- Fringe Benefits
- State Updates
- Payroll Best Practices



Payroll Thresholds for 2024

	2023		2024
Social Security Wage Base	\$160,200		\$168,600
SS Tax Rate	6.20% (EE & ER)		6.20% (EE & ER)
Medicare Wage Base	No Limit		No Limit
Medicare Tax Rate	1.45% (EE & ER)		1.45% (EE & ER)
Additional Medicare Tax Base	\$200,000		\$200,000
Additional Medicare Tax Rate	0.9% (EE only)		0.9% (EE only)
Federal Unemployment Wage Base	\$7,000		\$7,000
FUTA Rate	0.6%		0.6%



Retirement Plan Thresholds for 2024

	2023		2024
401(k)	\$ 22,500		\$ 23,000
401(k) catch-up (> age 50)	\$ 7,500		\$ 7,500
Simple IRA	\$ 15,500		\$ 16,000
Simple IRA catch-up (> age 50)	\$ 3,500		\$ 3,500
Traditional IRA	\$ 6,500		\$ 7,000
IRA catch-up (> age 50)	\$ 1,000		\$ 1,000



Payroll Reminders

- Moving expense reimbursement only for US Armed Forces on active duty
- Withholding on supplemental wages:
 - If total compensation is below \$1 Million
 - If added to regular wages, use regular tax tables
 - If separated, withhold at a flat 22% OR Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment
 - If total compensation will exceed \$1 Million - Withhold 37%
- Outsourcing of payroll – employers are still responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts
- Severance payments are wages subject to social security and Medicare taxes, income tax withholding, and FUTA tax.
- You must receive written notice from the IRS to file Form 944



Payroll Reminders

- Employers can request to file Forms 941 instead of Form 944.
- If you discover an error on a previously filed Form 941 or Form 944, make the correction using Form 941-X or Form 944-X, respectively.
- Zero wage returns – if you have not filed a “final” 941, 944 or 940, you must continue to file “zero wage” returns even if you have no wages for the period.
- Federal tax deposits must be made by electronic funds transfer (EFT). <https://www.eftps.gov/eftps/>



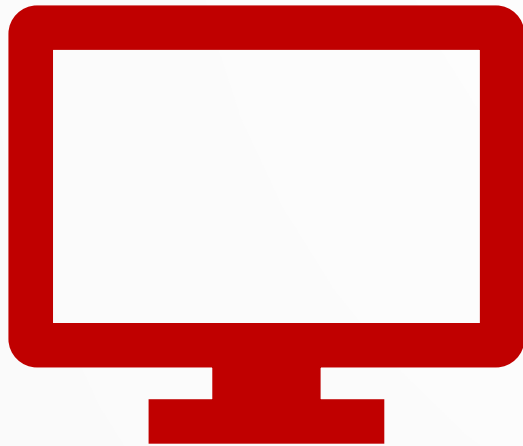
E-File requirements changes in 2024

For information returns required to be filed **on or after January 1, 2024**, the final regulations:

- reduce the 250-return threshold enacted in prior regulations to generally require electronic filing by filers of **10 or more returns in a calendar year**.
- require filers to aggregate almost all information return types covered by the regulation to determine whether a filer meets the 10-return threshold and is required to e-file their information returns.
- the ten-return threshold does not make electronic filing mandatory for employment tax returns, such as Forms 940 and 941.
- Penalties may apply for non-electronic filing of information returns (e.g., Forms W-2, 1099-series, etc.) when electronic filing is required.
- Hardship waivers may be available for filers that would experience hardship in complying with the e-filing requirements .



E-filing



- E-file of returns:
<https://www.irs.gov/employmentefile>
- Electronic filing of Forms W2:
<https://www.ssa.gov/employer>
- New online portal IRIS :
<https://www.irs.gov/filing/e-file-forms-1099-with-iris>



Employers' Responsibilities

New Employees

- Verify work eligibility of new employees via Form I-9
- May choose to verify social security numbers
<https://www.ssa.gov/employer/ssnv>
- Report new hires to state registry
- Obtain a Form W4
- Record each employee's name and SSN

Each Payday

- Withhold federal (and state) income tax based on the employee's Form W4
- Withhold the employee's share of social security and Medicare taxes
- Deposit payroll taxes withheld based on your deposit schedule:
 - Monthly – new employer or wages of \$50,000 or less
 - Semi-weekly – wages of \$50,000 or more



Employers' Responsibilities

Quarterly (April 30, July 31, October 31 and January 31)

- Deposit FUTA tax (if undeposited is over \$500)
- File Form 941
- Submit tax with Form 941 if not required to deposit (< \$2,500)



Employers' Responsibilities

Annually

- Remind employees to submit new Form W4 (if applicable)
- File Form 944 (by Jan 31)
- File Form 940 (by Jan 31)
- Reconcile Forms 941 to Forms W-2 and Form W-3
- Provide each employee with a Form W-2 (by Jan 31)
- Provide payees with a Form-1099NEC or Form-1099 (by Jan 31)
- File Forms W-2 and Form W-3 to the SSA (by Jan 31)
- File Forms 1099-NEC and Form 1096 to the IRS (by Jan 31)
- New Form W4 for any employees claiming exemption from income tax withholding (by Feb 16)
- File paper Forms 1099 and Form 1096 to the IRS (by Feb 28)
- File electronic Forms 1099 and Form 1096 to the IRS (by Mar 31)



Payroll Tax Credits

Employee Retention Credit – ON HOLD

Refundable tax credit for eligible employers who had a reduction in income due to COVID19 or were under a governmental order

Qualified wages paid after March 12, 2020 and before October 1, 2021*

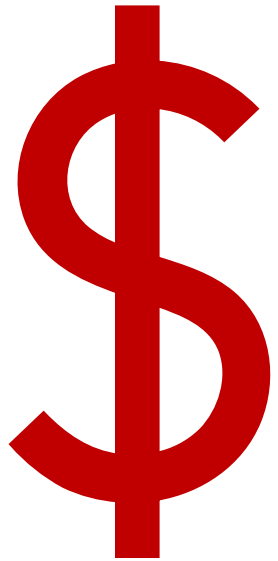
Up to \$26k per employee

Can still amend the Form 941s (as well as the applicable business tax returns) through April 15, 2024 and April 15, 2025.

*recovery start up businesses after June 30, 2021 and before January 1, 2022



Earned Income Tax Credit (EIC or EITC)



- Employers must notify employees who have no federal income tax withheld that they still may be eligible for a tax refund due to the Earned Income Tax Credit
 - Meet this requirement if you furnish employees with Form W-2 with the EIC notice on the back of Copy B
- Earned Income Tax Credit (EIC) is a refundable tax credit for workers with low-to moderate-income
 - Have worked and earned income under \$59,187 (MFJ)
 - Have investment income below \$10,300 (2022 amount; indexed for inflation each year)
 - Valid SSN
 - Be a US Citizen or Resident Alien for the full year



Earned Income Tax Credit (EIC or EITC)

2023 Earned Income Tax Credit (EITC) Parameters					
Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$9,800	\$21,560	\$21,560	\$21,560
	Phaseout Ends (Credit Equals Zero)	\$17,640	\$46,560	\$52,918	\$56,838
Married Filing Jointly	Income at Max Credit	\$7,840	\$11,750	\$16,510	\$16,510
	Maximum Credit	\$600	\$3,995	\$6,604	\$7,430
	Phaseout Begins	\$16,370	\$28,120	\$28,120	\$28,120
	Phaseout Ends (Credit Equals Zero)	\$24,210	\$53,120	\$59,478	\$63,398

Source: Internal Revenue Service. Tables from <https://taxfoundation.org/2023-tax-brackets/>



Earned Income Tax Credit (EIC or EITC)

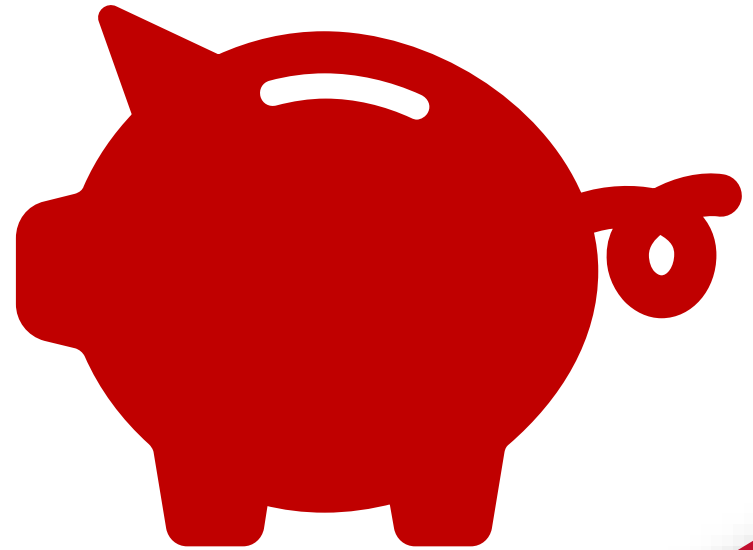
2024 Earned Income Tax Credit (EITC) Parameters					
Filing Status		No Children	One Child	Two Children	Three or More Children
Single or Head of Household	Income at Max Credit	\$8,260	\$12,390	\$17,400	\$17,400
	Maximum Credit	\$632	\$4,213	\$6,960	\$7,830
	Phaseout Begins	\$10,330	\$22,720	\$22,720	\$22,720
	Phaseout Ends (Credit Equals Zero)	\$18,591	\$49,084	\$55,768	\$59,899
Married Filing Jointly	Income at Max Credit	\$8,260	\$12,390	\$17,400	\$17,400
	Maximum Credit	\$632	\$4,213	\$6,960	\$7,830
	Phaseout Begins	\$17,250	\$29,640	\$6,960	\$7,830
	Phaseout Ends (Credit Equals Zero)	\$25,511	\$56,004	\$62,688	\$66,819

Source: Internal Revenue Service. Tables from <https://taxfoundation.org>



Saver's Tax Credit

- Nonrefundable tax credit worth up to \$1,000 (\$2,000 if married filing jointly) for taxpayers with low to moderate income who contribute to a retirement account
- To claim the credit, you must:
 - Age 18 or older
 - Not be a full-time student
 - Not claimed as a dependent on someone else's tax return
 - Make a retirement contribution within the tax year.
Contribution to a traditional IRA, Roth IRA, SIMPLE IRA, SARSEP, 401(k), 403(b), or ABLE account qualify. Rollover contributions do not qualify.
 - Meet the income requirements



Saver's Tax Credit

2023 Saver's Credit			
Credit Rate	For Single Filers	For Head of Household	For Married Filing Jointly
50% of your contribution	AGI not more than \$21,750	AGI not more than \$32,625	AGI not more than \$43,500
20% of your contribution	\$21,751 - \$23,750	\$32,626 - \$35,625	\$43,501 - \$47,500
10% of your contribution	\$23,751 - \$36,500	\$35,626 - \$54,750	\$47,501 - \$73,000
0% of your contribution	more than \$36,750	more than \$54,750	more than \$73,000
2024 Saver's Credit			
Credit Rate	For Single Filers	For Head of Household	For Married Filing Jointly
50% of your contribution	AGI not more than \$23,000	AGI not more than \$34,500	AGI not more than \$46,000
20% of your contribution	\$23,000 - \$25,000	\$34,500 - \$37,500	\$46,000 - \$50,000
10% of your contribution	\$25,001 - \$38,250	\$37,501 - \$57,375	\$50,001 - \$76,500
0% of your contribution	more than \$38,250	more than \$57,375	more than \$76,500



Secure Act 2.0

Setting
Every
Community
Up for
Retirement
Enhancement

■ Automatic Enrollment

- Employers that establish a §401(k) plan after December 29, 2022, will be required to automatically enroll employees in the plan ***effective for plan years beginning after December 31, 2024.***
- Eligible employees must be automatically enrolled at a ***rate of at least 3% but not more than 10%*** unless the employee specifically elects not to contribute or to contribute a different percentage.
- The percentage will increase annually by 1%, until it reaches at least 10%, but not more than 15%.
- Employers with 10 or fewer employees, government plans, church plans, and new employers in business for less than three years are not required to auto enroll employees.



Secure Act 2.0

Setting Every Community Up for Retirement Enhancement

- **Expanded Eligibility for Part-time Employees**
 - Effective for tax years beginning after December 31, 2024, *part-time employees who work at least 500 hours per year for two years (previously three years) are eligible* to contribute to a §401(k) plan.
- **Catch-up Limits**
 - A higher catch-up limit is created for annual retirement contributions *for individuals aged 60, 61, 62, and 63. The new catch-up limit is the greater of \$10,000 or 50% more than the regular catch-up amount* (applicable to those who have attained age 50). This provision is effective for tax years beginning after December 31, 2024, and the increased limit is indexed to inflation after 2025.



Secure Act 2.0

Setting
Every
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▪ Catch-up Contributions for Highly Compensated Employees

- Catch-up contributions from highly compensated employees (those whose wages in the preceding calendar year exceed \$145,000, as adjusted for inflation beginning in 2025) ***must be treated as Roth contributions*** as opposed to pretax contributions. The effective date for this requirement is January 1, 2024. However, on August 25, 2023, the IRS announced a two-year administrative transition period. The means plan sponsors have until January 1, 2026, to comply with the new requirements. The IRS has also said it will provide more guidance on this provision of the SECURE 2.0 Act.



FLSA Proposed Changes to “White Collar” Exemption

- “White Collar Exemptions” of minimum wage for bona fide administrative, executive, professional, and computer-related professional employees, as well as outside sales employees depending on:
 1. The employee's primary duty;
 2. The employee's level of discretionary authority; and
 3. Whether a minimum salary requirement is met.
- Increasing the minimum salary level from \$684 to \$1,059 a week (or from \$35,568 per year to \$55,068 per year)
- Increase the salary requirement for highly compensated employees (HCEs) from \$107,432 to \$143,988 per year



Earned Wage Access

Earned Wage Access, or On Demand Pay, allows employees access to their net earned pay as they earn it.

When employees access their net pay before their regular pay date, the wages they access are deducted from the total earnings they'd receive on pay day.

Unlike payday loans and advances, EWA solutions only grant employees access to money that they have already earned.

Works by pairing the financial technology (app) with a company's HR/ payroll system.



Remote Workers & Multi-State Taxation

- Employers withhold applicable state and local income taxes based primarily on where an employee performs services (i.e physical location)
- Some states have reciprocity agreements (IL and KY)
- Some states have “convenience of employer” rules (AR, CT, DE, NE, NY, PA)
- Some states don’t require until an employee has met a certain number of days worked or an amount of wages earned in the state
- Mobile Workforce Coalition, a group advocating for passage of federal legislation to establish a uniform threshold for state taxation of nonresident income
- Proposed legislation would establish a 30-day threshold, meaning an employee’s wages for services performed in a state would not be subject to income taxation in that state until the employee is present and performing employment duties for more than 30 days during the calendar year.





You must file a tax return if you have net earnings from self-employment of \$400 or more from gig work, even if it's a side job, part-time or temporary.



Pay estimated taxes or withhold more tax from your employee paycheck



<https://www.irs.gov/businesses/gig-economy-tax-center>

Gig Economy



Independent Contractor or Employee

Behavioral Control

- Do they receive extensive instructions?
 - how, when, or where to do the work
 - what tools or equipment to use
 - what assistants to hire to help with work
 - where to purchase supplies and services
- Is training provided?

Financial Control

- Do they significantly invest their own funds into their work?
- Are they reimbursed for expenses?
- Do they have an opportunity for both profit and loss?

Relationship of the Parties

- Are employee benefits provided?
- What do the written contracts state?





Fringe Benefits Update

2023



Fringe Benefits Update

2023

- Mileage reimbursement is 65.5 cents
- Qualified parking exclusion is \$300 per month
- Contribution limit on health flexible spending accounts (FSA) is \$3,050

2024

- Mileage reimbursement is _____
- Qualified parking exclusion is \$315 per month
- Contribution limit on health flexible spending accounts (FSA) is \$3,200



Fringe Benefits Overview



A fringe benefit is a form of pay for the performance of service



In general, the amount the employer must include is the amount by which the fair market value of the benefits is more than the sum of what the employee paid for it plus any amount that the law excludes.



Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it. (Publication 15-B)



Fringe Benefits Overview



- A **cafeteria plan**, including an FSA, provides participants an opportunity to receive qualified benefits on a pre-tax basis. It is a written plan that allows your employees to choose between receiving cash or taxable benefits, instead of certain qualified benefits for which the law provides an exclusion from wages.



Excluded Fringe Benefits

- Accident or health plan (except for certain long-term care payments through a flexible spending or similar arrangement)
- Qualified small employer health reimbursement arrangements (QSEHRAs)
 1. funded solely by the employer and no salary reduction contributions are made
 2. arrangement provides payment or reimbursement after proof of coverage is provided
 3. amount of payments and reimbursements doesn't exceed \$5,850; \$11,800, for family coverage (2023)
 4. arrangement is generally provided on the same terms to all your eligible employees



Excluded Fringe Benefits

- Achievement Awards - any tangible personal property you give to an employee as an award for either length of service or safety achievement.



DOES NOT apply to awards of cash, cash equivalents, gift cards, gift coupons/ certificates, vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.



Excluded Fringe Benefits

- Allowances or reimbursements for job-related expenses under an accountable plan:
 1. There is a business connection to the expenditure.
 2. There is adequate accounting by the recipient within a reasonable period of time.
 3. Excess reimbursements or advances are returned within a reasonable period of time. (IRC Section 62(c); Treas. Reg. Section 1.62-2(c)(2)



Excluded Fringe Benefits

- Athletic Facilities - the value of an employee's use of an on-premises gym or other athletic facility you operate from an employee's wages if substantially all use of the facility during the calendar year is by your employees, their spouses, and their dependent children.
 - DOES NOT apply to any athletic facility if access to the facility is made available to the general public through the sale of memberships, the rental of the facility, or a similar arrangement.



Excluded Fringe Benefits

- De Minimus (Minimal) Benefits - any property or service provided to an employee that has so little value that accounting for it would be unreasonable or administratively impracticable.

Examples include:

- *Personal use of the copy machine*
- *Holiday or birthday gifts (other than cash) with low fair market value*
- *Certain meals*
- *Occasional parties or picnics for employees and their guests*
- *Occasional tickets for theater or sporting events*
- *Cash and cash equivalents, no matter how small, are NEVER excludable as de minimus*



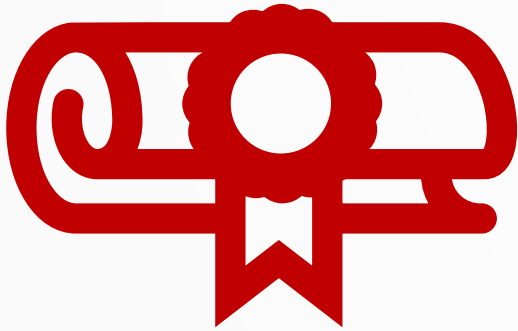
Excluded Fringe Benefits

- Dependent Care Assistance
 - applies to household and dependent care services directly or indirectly paid for or provided under a **written** dependent care assistance program (DCAP)
 - generally up to \$5,000 (\$2,500 if married filing separately) of benefits received under a DCAP each year can be excluded from gross income
 - the value of all dependent care assistance under a DCAP is reported in box 10 of the Form W-2.



Excluded Fringe Benefits

- Educational Assistance - up to \$5,250 per employee provided under an educational assistance program:
 - A separate written plan that provides educational assistance only to your employees. The program qualifies only if all of the following tests are met:
 1. *Doesn't favor highly compensated employees*
 2. *Doesn't provide more than 5% of its benefits during the year for shareholders or owners*
 3. *Doesn't allow employees to choose to receive cash or other benefits that must be instead of educational assistance*
 4. *Give reasonable notice of the program to eligible employees*



Excluded Fringe Benefits

- Employee discounts
- Employer provided cell phones
- Cost of up to \$50,000 of group term life insurance coverage
- Employer contributions to a Health Savings Account (HSA)
 - *up to \$3,850 for self-only coverage or \$7,750 for family coverage (2023)*
- Lodging
- Meals



Employer Provided Vehicles



- 1. Cents-per-mile rule** – multiply the standard mileage rate by the total miles the employee drives the vehicle for personal purposes
- 2. Commuting rule** - multiply each one-way commute by \$1.50
 - *Vehicle used each working day to carry at least three employees*
 - *Written policy on vehicle usage is only for commuting purposes*
- 3. Lease value rule** - based on the annual lease values provided in table



Employer-Provided Vehicles

Cents-Per-Mile

- Expect the vehicle to be regularly used in your trade or business throughout the calendar year
- Meet mileage test (10,000 miles)
- Maximum vehicle value (\$60,800 for 2023)
- Consistency test

Annual Lease Value

1. Determine the FMV of the automobile on the first date it is available to any employee for personal use
2. Using Table 3-1; use the fair market value range to find the annual lease value amount
3. Multiply the annual lease value by the percentage of personal miles out of total miles driven





State Updates

Illinois, Indiana, Missouri, & Florida

State Thresholds & Rates for 2024

	2023	2024		2023	2024
IL State Unemployment Wage Base	\$ 13,271	\$ 13,271	Minimum Wage (IL)	\$13.00	\$14.00
IL SUTA Rate (Max)	8.650%	8.650%	... Under 18	\$10.50	\$12.00
IL SUTA Rate (Min)	0.850%	0.850%	... Tipped	\$7.80	\$8.40
MO State Unemployment Wage Base	\$ 10,500	\$ 10,000	Minimum Wage (MO)	\$12.00	\$12.30
MO SUTA Rate (Max)	6.98%	6.75%	... Tipped	\$6.00	\$6.15
MO SUTA Rate (Min)	0.0%	0.0%			
IN State Unemployment Wage Base	\$ 9,500	\$ 9,500	Minimum Wage (IN)	\$7.25	\$7.25
IN SUTA Rate (Max)	7.4%	7.4%	... Tipped	\$2.13	\$2.13
IN SUTA Rate (Min)	0.5%	0.5%			
FL State Unemployment Wage Base	\$ 7,000	\$ 7,000	Minimum Wage (FL)	\$12.00*	\$13.00*
FL SUTA Rate (Max)	5.4%	5.4%	... Tipped	\$8.98*	\$9.98*
FL SUTA Rate (Min)	0.1%	0.1%	*as of Sept 30 th of the year		



State Filing Requirements – Withholding & Unemployment

ILLINOIS

- File Forms IL-941 via MyTax Illinois every quarter
- File Form UI-3/40 via MyTax Illinois every quarter

MISSOURI

- File Form MO-941 using vouchers or electronically via MyTax Missouri (weekly, monthly, quarterly or annual basis)
- File contribution and wage reports electronically via uinteract.labor.mo.gov every quarter

INDIANA

- File Forms WH-1 via paper or electronically via INTIME every month
- File contribution and wage reports electronically via uplink.in.gov/ESS every quarter

FLORIDA

- File Forms RT-6 via paper or electronically if 10 or more employees at floridarevenue.com



State Filing Requirements – Annual Reconciliation & Forms W2

ILLINOIS

- No year-end reconciliation; Form IL-941s are used
- Must file W2s electronically by Jan 31

MISSOURI

- File Form MO-W3 and Forms W-2 by Jan 31
- If over 250 employees, must file electronically

INDIANA

- File Forms WH-3 and W-2s by Jan 31
- > 25 employees, must file electronically



Resources for Payroll Professionals

Federal Resources

- www.irs.gov
- www.ssa.gov
- www.eftps.gov

- E-news for payroll providers:
<https://www.irs.gov/businesses/small-businesses-self-employed/e-news-for-payroll-providers>

State Resources

- IL Department of Revenue & IDES
 - [https://mytax.illinois.gov/ /](https://mytax.illinois.gov/)
- MO Department of Revenue & Department of Labor
 - <https://dor.mo.gov/online-services/>
 - <https://uinteract.labor.mo.gov/benefits/home.do>
- IN Department of Revenue & Department of Labor
 - <https://www.in.gov/dor/online-services/intime-tax-center/>
 - <https://www.in.gov/dwd/indiana-unemployment/employers/ess/>



Paid Leave for All Workers Act – Illinois



- Effective January 1, 2024
- Accrues at the rate of 1 hour for every 40 hours worked; up to 40 hours for a 12-month period.
- Can start to use as of March 31st, 2024, or 90 days from date of hire
- Full wage paid while on leave (tipped workers will be paid the minimum wage)
- Applies to every employee working including domestic workers but does exclude independent contractors
- Employers can choose to “front-load” or accrue the paid leave time



Paid Leave for All Workers Act - Illinois

- PLAWA does not require payout of unused leave unless the leave is credited to the employee's paid time off bank or employee vacation account
- An employee may take PLAWA leave at a minimum of two-hour increments, although an employer could choose to allow an employee to take leave in smaller increments.
- If the employer's existing policy on the effective date of the Act provides 40 hours or more of paid leave that can, in fact, be taken for any reason of the employee's choosing, they do not need to adjust the terms of the existing policy.
- Employees are allowed to carry over or roll over unused, accrued leave from one year to the next under this law. However, there is no obligation for the employer to offer more than 40 hours of paid leave off in a year. An employer may offer more than the 40 hours off if they choose.



Payroll Best Practices

- Stay up to date with eNews for Payroll Practitioners and #payroll (Linked In)
- Verifying social security numbers for all new hires
- Direct deposit vs issuing physical paychecks
- File electronically whenever possible
- Obtaining fringe benefit information to be added (company use of a vehicle, S-Corp insurance) before final pay of the year
- Processing end of year bonus payroll to help with tax liability for owners/ key employees
- Furnish W2s and 1099s by Jan 15 to allow for corrections by Jan 31
- Communication – Repetition is good. Repetition is good. Repetition is good.
- Follow up with employees after individual tax deadline of April 15th to see if new W4 needed
- Follow up with employees turning 50 to see if retirement plan contributions should be updated.



Open Forum Questions/ Concerns

- Pay advances and bankruptcy orders
- Employee theft and payment of wages
- Timeliness of employee and employer retirement contributions
- What issues/ concerns are you experiencing?



Thank You

AAIM is here to help.

If you have any questions or concerns, please contact us at
the information below.



Please scan with your
Smart Phone Camera to
complete a short
evaluation on this
event.



314-754-0236



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