

December 2024

AAIM Payroll Tax & Fringe Benefit Update

Presentation

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Retirement Plan Thresholds for 2025

	2024	2025
401(k)	\$23,000	\$23,500
401(k) catch-up (> age 50)	\$7,500	\$7,500
401(k) catch-up (60 – 63)		\$11,250
Simple IRA	\$16,000	\$16,500
Simple IRA catch-up (> age 50)	\$ 3,500	\$3,500
Simple IRA catch-up (60 - 63)		\$5,250
Traditional IRA	\$7,000	\$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.





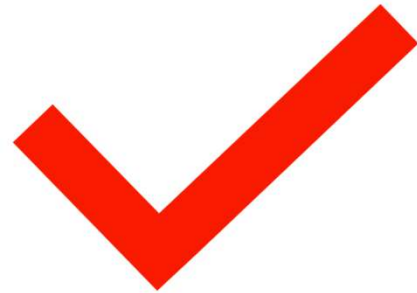
Payroll Reminders

- You must receive written notice from the IRS to file Form 944.
- 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/>.



Employers' Responsibilities: 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**

- *By April 30th , July 31st, October 31st and January 31st*
- Deposit FUTA tax (if over \$500)
- File Form 941
- Submit tax with Form 941 if not required to deposit (< \$2,500)



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 \$66,819 (MFJ).
 - Have investment income below \$11,600 (2024 amount; indexed for inflation each year) .
 - Valid SSN
 - Be a US Citizen or Resident Alien for the full year.



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/2023-tax-brackets/>

Earned Income Tax Credit Tables

2025 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	\$8,490	\$12,730	\$17,880	\$17,880
	Maximum Credit	\$649	\$4,328	\$7,152	\$8,046
	Phaseout Begins	\$10,620	\$23,350	\$23,350	\$23,350
	Phaseout Ends (Credit Equals Zero)	\$19,104	\$50,434	\$57,310	\$61,555
Married Filing Jointly	Income at Max Credit	\$8,490	\$12,730	\$17,880	\$17,880
	Maximum Credit	\$649	\$4,328	\$7,152	\$8,046
	Phaseout Begins	\$17,730	\$30,470	\$30,470	\$30,470
	Phaseout Ends (Credit Equals Zero)	\$26,214	\$57,554	\$64,430	\$68,675

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

Earned Income Tax Credit Tables



Gig Economy



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>



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.

Earned Wage Access



Direct Deposit, Paycards or Physical Check?

Direct deposit may be the preferred way to pay employees, but most states do not allow employers to require direct deposits (See State Direct Deposit Requirements list).

Another option is paycards.

If employee requests physical check, employers can have them available for employees to pick up or may be able to mail paychecks (depending on State laws).





Streamlining Payroll

- Using AI to help with writing policies
- Using software for data entry
 - CSV/ Excel file import feature
- Timekeeping
 - Missed clock ins/ outs
- Draft responses to “Frequently Asked Questions”
- Electronically filing when possible





How can I change my pay period frequency?



**Pay
Frequency**

Illinois – semi-monthly for hourly; monthly for executive, admin and professional employees:

Pay date no later than 13-days after the pay period

Missouri – semi-monthly:

Pay date no later than 16-days after the pay period

Indiana – semi-monthly or bi-weekly if requested by the employee:

Pay date within 10 business days after the pay period

Florida – no specified regulations





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



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

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.



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

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)

Lodging

Meals





HSA

2024 - \$4,150 (self) or \$8,300 (family)

2025 - \$4,350 (self) or \$8,550 (family)



Travel

\$309 (high) to \$214 (low) per day

\$319 (high) to \$225 (low) per day



Meals & Incidentals

\$74 (high) - \$64 (low) per day

\$86 (high) - \$74 (low) per day

Fringe Benefits Overview





Mileage rate 2024 – \$0.67 per mile
Mileage rate 2025 -



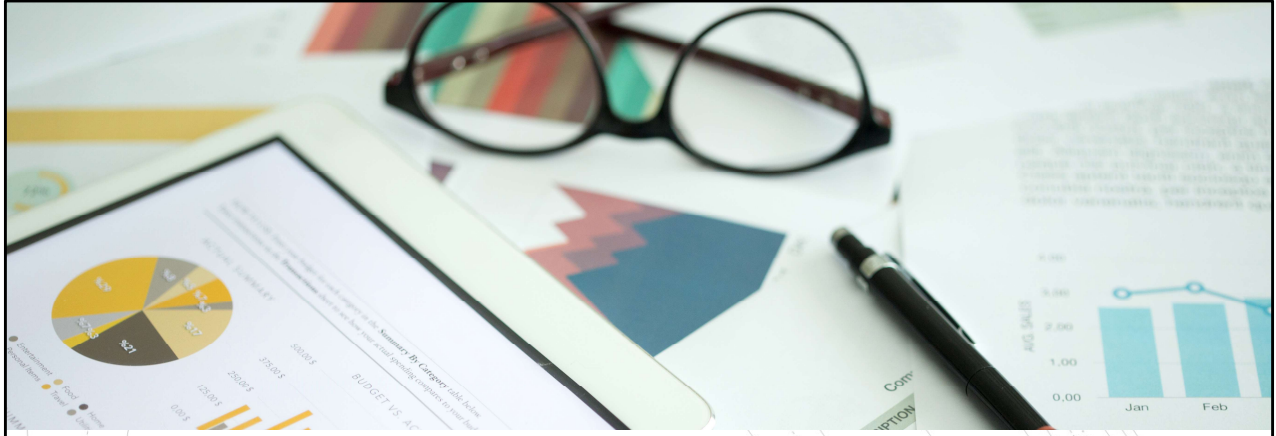
Parking exclusion 2024 - \$315 per month
Parking exclusion 2025 - \$325 per month



FSA limit 2024 - \$3,200 per year
FSA limit 2025 - \$3,300 per year

Fringe Benefits Overview





State Updates

Illinois, Missouri, Indiana and Florida



State Thresholds & Rates for 2025

	2024	2025		2024	2025
IL State Unemployment Wage Base	\$ 13,590	\$ 13,909	Minimum Wage (IL)	\$14.00	\$15.00
IL SUTA Rate (Max)	8.65%	8.35%	... Under 18	\$12.00	\$13.00
IL SUTA Rate (Min)	0.85%	0.85%	... Tipped	\$8.40	\$9.00
MO State Unemployment Wage Base	\$ 10,000	\$ 9,500	Minimum Wage (MO)	\$12.30	\$13.75
MO SUTA Rate (Max)	5.4%	5.4%	... Tipped	\$6.15	\$6.88
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)	\$13.00*	\$14.00*
FL SUTA Rate (Max)	5.4%	5.4%	... Tipped	\$9.98*	\$10.98*
FL SUTA Rate (Min)	0.1%	0.1%	*as of Sept 30 th of the year		





Paid Leave for All Workers Act (Illinois)

- 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 not exclude independent contractors.
- Employers can choose to “front-load” or accrue the paid leave time.
- Act 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.
- 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.

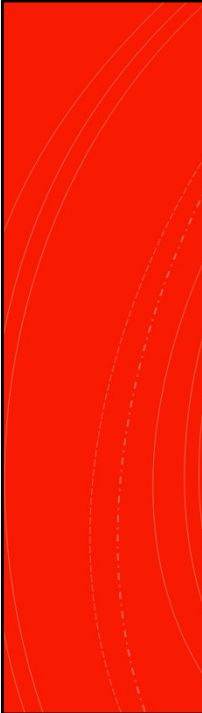


Wage Payment and Collection Act (Illinois)

- Employers must pay **FINAL COMPENSATION** to a terminated employee no later than the next scheduled payday, including unpaid vacation days.
- Defines “paystub” as a document reflecting an employee’s hours worked, overtime hours worked, total wages earned, total deductions, and rate of pay during a pay period. In addition, the paystub must show year-to-date wages and deductions.
- **RECORD KEEPING:** Maintain copies of employees’ pay stubs for a period of three years after the payment date.

Wage Payment and Collection Act (Illinois)

- Have 21 days following an employee's request to provide copies of their pay stubs.
 - Not required to grant an employee's request for a copy of paystubs **more than twice in a 12-month period.**
- For electronic paystubs, must offer to provide terminated employee with a record of all the outgoing employee's paystubs from one year preceding the separation date. (must record, in writing, the date on which this offer was made, and how the outgoing employee responded)



Proposition A – Paid Sick Time (Missouri)

- Effective May 1, 2025
- Accrues at the rate of 1 hour for every 30 hours worked.
- Eligible employees can use accrued paid sick leave in the smaller of hourly increments or the smallest increment that the employer’s payroll system uses to account for absences or use of other time.
- Employers must allow employees to carry over at least 80 hours of unused sick leave from year to year.
- Employers with 15 or more employees – can limit sick time used to 56 hours (7 days) per year.
- Employers with < 15 employees – can limit sick time to 40 hours (5 days) used each year.
- The new law does not require covered employers to pay out any unused paid sick leave hours when an employee separates from employment for any reason.

Membership



Talent Acquisition



HR Consulting



Background Checks



Training

Missouri

12851 Manchester Rd
Suite 150
St. Louis, MO 63131
314.968.3600

Illinois

300 Hamilton Blvd
Suite L110
Peoria, IL 61602
309.637.3333

Indiana

450 E 96th St
Suite 500
Indianapolis, IN 46240
317.960.3487

Florida

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