

PAYROLL TAX REMINDERS

NEW FOR 2018: NYS PAID FAMILY LEAVE:

Starting January 1, 2018, Paid Family Leave becomes a mandatory benefit in New York. This benefit will be implemented as a rider to your statutory short-term disability policy. The employee contribution is paid through payroll deductions of 0.126% of an employee's weekly wage up to the annualized NYS average weekly wage or \$1.65 for 2018. Additional details are available on the NYS website at:

<https://www.ny.gov/new-york-state-paid-family-leave/new-york-state-paid-family-leave-employers>

Reminders for 2017:

Overtime Rules for Exempt Employees:

While the federal changes to overtime pay for exempt employees never took effect, New York State did increase the salary threshold for exempt employees. Administrative and executive employees, located outside of New York City and downstate counties, must earn **\$727.50** per week to be exempt from overtime pay. The exempt salary provisions provide scheduled annual increases for New York employees. Effective 12/31/17 this rate increases to **\$780.00** per week. Note that different rates apply to NYC and downstate areas. More information can be found at:

<https://labor.ny.gov/legal/counsel/pdf/administrative-employee-overtime-exemption-frequently-asked-questions.pdf>

Accelerated Due Dates for W-2s:

The due date for filing 2017 Forms W-2 and W-3 with the Social Security Administration (SSA) is now January 31, 2018. This is the same date that W-2 forms are due to the employees. Extensions of time to file Form W-2 with the SSA can be obtained by filing Form 8809. However, the IRS will only grant this extension in extraordinary circumstances or catastrophe.

The IRS has also increased penalty amounts for failing to file and furnish correct W-2 forms by the due date. Instructions for Forms W-2 and W-3 are available on the IRS website at:

www.irs.gov/pub/irs-pdf/iw2w3.pdf

Affordable Care Act Reporting Requirements:

The Affordable Care Act reporting requirements remain in effect for 2017. Applicable Large Employers (ALEs) – those with 50 or more full-time employees – are required to provide information to the IRS and to their full-time employees on health plan coverage the employer did or did not offer to employees during 2017. ALEs are required to provide Form 1095s to their employees no later than January 31, 2018 and to the IRS by February 28, 2018 (if filed manually) or by April 2, 2018 (if filed electronically). Tronconi Segarra & Associates is offering this compliance service on a per-form fee

basis for ALEs. If you are in need of a solution for this compliance requirement or would like to obtain a quote, please contact our office.

Additional Reminders:

- A very important reminder is to **NOT IGNORE** any information received from your payroll processing company regarding year-end processing. This will help them to prepare complete and accurate W-2s for your employees. It is costly to prepare the W-2 and year-end reports a second time.
- When preparing 2017 W-2 forms, or providing your payroll company with W-2 information, be sure to include all the taxable income and benefits an employee earns. Examples are:
 - Personal use of a company vehicle
 - Health insurance and dental and long-term care premiums paid on behalf of a greater than 2% S-corporation shareholder (exempt for FICA and FUTA)
 - PS-58 cost for group term life insurance benefits in excess of \$50,000
 - Dependent care benefits
 - Employee pension information
- Be sure to include disability income (third party sick pay) an employee earns. It is important to report this information to your payroll processing company before year end to be included in 4th quarter reports and W-2s.
- FICA (Social Security) withholdings rates remain unchanged at 7.65%, comprised of 6.2% for Social Security and 1.45% for Medicare. The employer is required to contribute a matching amount when making the tax deposit. The self-employed rate also remains at 15.3%, comprised of 12.4% Social Security and 2.9% Medicare. The maximum amount of taxable annual earning subject to the Social Security tax and self-employment tax is **\$127,200** for 2017, increasing to **\$128,400** for 2018. All earnings are subject to the Medicare tax.
- The minimum wage rate for New York state employees, outside of NYC and Long Island, for 2017 is **\$9.70** per hour, increasing to **\$10.40** per hour on 12/31/17.
- Minimum wage for tipped food services workers is **\$7.50** per hour if they earn \$2.20 per hour in tips. The rate of \$7.50 per hour remains unchanged on 12/31/17 assuming the employee's tips increase to \$2.90 per hour.
- Overtime for tipped workers is calculated at time-and-one-half the minimum wage rate, less the applicable tip credit. For example, the overtime rate for tipped food services workers is **\$12.35** [(\$9.70 x 1.5) – \$2.20] per hour, increasing to **\$12.70** [(10.40 x 1.5) – \$2.90] per hour on 12/31/17.
- Minimum wage for fast food employees, outside of New York City, is **\$10.75** per hour, increasing to **\$11.75** per hour on 12/31/17.

- More information on New York minimum wage rates can be found at:
<https://labor.ny.gov/workerprotection/laborstandards/workprot/minwage.shtm>
- The amount that can be deducted per week for disability insurance remains at .005 of gross wages with a maximum of \$.60 per week.
- The Federal unemployment base wage will remain at **\$7,000** for taxable wages. The federal unemployment rate is .006. New York is not expected to have an additional credit reduction rate for 2017.
- The New York State unemployment wage base is **\$10,900 and \$11,100** for 2017 and 2018, respectively. New York will be notifying you of your 2018 unemployment rate by approximately February 1, 2018. If you use a payroll service such as ADP or Paychex, be sure to send them this notification.
- All new employees will need to complete and return to you:
 - **W-4** form for federal withholdings
 - **IT-2104** form for New York state withholdings
 - **Form I-9** –Employment Eligibility Verification. Be sure that you are using the current revision of this form with an expiration date of 8/31/19 Current versions can be obtained at <https://www.uscis.gov/i-9>
 - You are also required to provide all new employees with the **New York State Notice and Acknowledgement of Pay Rate and Payday**
- Federal tax deposits: If you are NOT using a payroll service for payroll tax deposits, you will need to enroll your business and make payments electronically. Information on Electronic Federal Tax Payment System (EFTPS), including how to enroll, can be found at <https://www.eftps.gov/eftps/> or by calling EFTPS Customer Service at 1-800-555-4477.
- Mileage Rate for 2017: 53.5 cents per mile, down from 54 cents per mile in 2016.

FORM 1099 REMINDER

Accelerated Due Dates for 1099-MISC with Non-employee Compensation:

Form 1099-MISC must be filed with the IRS, on or before January 31, 2018, when you are reporting nonemployee compensation payments in box 7. Otherwise, file by February 28, 2018, if you file on paper, or by April 2, 2018, if you file electronically. The due dates for furnishing payee statements is January 31st.

The IRS is advising that 1099-MISC forms with box 7, nonemployee compensation payments, be filed with a separated Form 1096 Transmittal, rather than including them with 1099-MISC forms that report other miscellaneous income.

Additional Reminders:

The Internal Revenue Service requires anyone engaged in trade or business to file Form 1099. Please confirm that all ID numbers and Social Security numbers are accurate before completing your 1099s. The IRS can charge a penalty of \$260 for each return that is incorrect or incomplete. You must file Form 1099 for each person, to whom you have paid during the year:

- At least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- At least \$600 in rents, services (including parts and materials), prizes and awards, other income payments, medical and health care payments, crop insurance proceeds, cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish, or, generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
- Any fishing boat proceeds;
- Gross proceeds of \$600 or more paid to an attorney; or
- At least \$10 in dividend/capital gains that were paid on stock or interest income.
- **Reportable Payments to Corporations** – In general, payments to corporations do not need to be reported on a 1099. However, the following payments made to corporations generally must be reported.
 - Medical and health care payments
 - Fish purchases for cash
 - Attorneys' fees
 - Gross proceeds paid to an attorney
 - Substitute payments in lieu of dividends or tax-exempt interest
 - Payments by a federal executive agency for services

E-filing is mandatory if a client is responsible for filing 250 or more information returns. The 250 limit applies separately to each Form.

Tronconi Segarra & Associates is now offering E-file services for Form 1099s. Let us know if you would like us to E-file your Form 1099s.

As always, we are available to answer any questions you may have. Please do not hesitate to contact us.