



# **42<sup>nd</sup> Annual Employment Issues Update**

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# Federal Payroll Taxes – 2023

## Form 941

### Rates and Wage Bases

- Federal Withholding Tax – Use tables
- FICA Tax – 7.65%
  - Social Security – 6.2%
    - \$160,200 wage base - 2023
    - \$147,000 wage base - 2022
  - Medicare – 1.45%
    - No limit on withholding – all subject wages are taxable
    - Additional Medicare tax - .9% on wages in excess of \$200,000 on employee wages, does not apply to employer match

# Social Security Contribution & Benefit Bases, 1937-2023

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|-------------|---------------|
| 1937-50     | \$3,000       | 1986        | \$42,000      | 2006        | \$94,200      |
| 1951-54     | 3,600         | 1987        | 43,800        | 2007        | 97,500        |
| 1955-58     | 4,200         | 1988        | 45,000        | 2008        | 102,000       |
| 1959-65     | 4,800         | 1989        | 48,000        | 2009        | 106,800       |
| 1966-67     | 6,600         | 1990        | 51,300        | 2010        | 106,800       |
| 1968-71     | 7,800         | 1991        | 53,400        | 2011        | 106,800       |
| 1972        | 9,000         | 1992        | 55,500        | 2012        | 110,100       |
| 1973        | 10,800        | 1993        | 57,600        | 2013        | 113,700       |
| 1974        | 13,200        | 1994        | 60,600        | 2014        | 117,000       |
| 1975        | 14,100        | 1995        | 61,200        | 2015        | 118,500       |
| 1976        | 15,300        | 1996        | 62,700        | 2016        | 118,500       |
| 1977        | 16,500        | 1997        | 65,400        | 2017        | 127,200       |
| 1978        | 17,700        | 1998        | 68,400        | 2018        | 128,400       |
| 1979        | 22,900        | 1999        | 72,600        | 2019        | 132,900       |
| 1980        | 25,900        | 2000        | 76,200        | 2020        | 137,700       |
| 1981        | 29,700        | 2001        | 80,400        | 2021        | 142,800       |
| 1982        | 32,400        | 2002        | 84,900        | 2022        | 147,000       |
| 1983        | 35,700        | 2003        | 87,000        | 2023        | 160,200       |
| 1984        | 37,800        | 2004        | 87,900        |             |               |
| 1985        | 39,600        | 2005        | 90,000        |             |               |

Note: Amounts for 1937-74 and for 1979-81 were set by statute; all other amounts were determined under automatic adjustment provisions of the Social Security Act.

# Federal Payroll Taxes

## Form 941

### Qualified Sick & Family Leave Credits

- Line items still available for credits for qualified sick and family leave wages paid in current quarter of 2022 for leave taken after March 31, 2020 and before October 1, 2021
- Otherwise, credits are expired

# Federal Payroll Taxes

## Form 941

### Employee Retention Credit

- Designed to encourage employers to keep employees on their payroll
- Different criteria/credits for wages paid depending on timeframe
- Wages must not also be used for PPP forgiveness
- Owners and relationships of greater than 50% owner ineligible
- Must be fully or partially suspended by government order, or
- Have significant decline in gross receipts
- Not available in 2022, but opportunities for 941-X filings to obtain credits if eligible and didn't take credit on original filing

# Federal Payroll Taxes

## Form 941

### Employee Retention Credit

### Qualified Wages/Credit Amount

- 2020 – available 3/13 – 12/31/2020
  - Qualified wages - \$10,000 (annual)
  - Credit – 50% of Qualified wages
  - Maximum credit per employee - \$5,000
- 2021 – available Qtrs 1 - 3
  - Qualified wages - \$10,000 (quarter)
  - Credit – 70% of Qualified wages
  - Maximum credit per employee - \$21,000

# Federal Payroll Taxes

## Form 941

### Employee Retention Credit Qualifications

- 2020
  - Partial or full suspension
  - 50% decline in gross receipts
    - Compare corresponding quarters in 2020 and 2019
- 2021
  - Partial or full suspension
  - 20% decline in gross receipts
    - Compare corresponding quarters in 2021 and 2019
    - Special election to look back to previous quarter

# Federal Payroll Taxes

## Form 941

### Social Security Deferral

- Available
  - Employer- March 27 - December 31, 2020
  - Employee - September 1 - December 31, 2020 (income limits)
- IRS sent “courtesy” notices
- Repayment Period
  - December 31, 2021 (half of employer’s share, 100% of employee’s share)
  - **December 31, 2022** (remaining half of employer’s share)



# Federal Payroll Taxes

## Form 940 – Federal Unemployment Tax Rate and Wage Base

- Rate: .6%
  - Credit reduction
    - If a state has an outstanding federal unemployment loan balance on January 1 for two consecutive years, and does not repay the full amount of its loans by November 10 of the second year, the FUTA credit rate for employers in that state is reduced until the loan is repaid. The reduction schedule is 0.3% for the first year the state is a credit reduction state, another 0.3% for the second year, and an additional 0.3% for each year thereafter that the state has not repaid its loan in full.
    - **Additional percentage due – See schedule A of form 940**
      - CA, CT, IL, NY and VI - credit reduction states for 2022
- Wage base - \$7,000

# Federal Payroll Taxes

## 2023 Form W-4

- Major overhaul to the form in 2020
- 2023 W-4 not released yet
  - Use prior year form until current year form is released
- Not permissible to use a prior year's W-4 for new hires or changes to existing hires in current year
  - Signature date on W-4 must match date on IRS Form

# Federal Payroll Taxes

## EFTPS

- Email confirmations:
  - Sign up for email confirmations of payments:
    - My Profile
    - Email address management
- Same day payments:
  - EFTPS accepts same day payments for business tax payments that meet the following criteria:
    - Payment is \$100,000 or less.
    - Payment is submitted prior to 3:00 PM ET on a business day.
  - Business tax payments that do not meet the criteria above must be scheduled at least one calendar day before the tax due date by 8:00 PM ET to reach the Internal Revenue Service (IRS) on time. On the date you select, the funds will be moved to Treasury from your banking account, and your records will be updated at the IRS.

# myPATH

<https://www.mypath.pa.gov/>

[myPATH](#) is the new online portal that has replaced many of the Department of Revenue's online services. [myPATH](#), which stands for 'my Pennsylvania Tax Hub', provides many self-service options such as registering a new tax account, accurately and securely filing returns, making payments, managing your accounts, and interacting with the department. Some advantages of using [myPATH](#) are:

- Available 24 hours a day, 7 days a week
- Compatible with any device and most browsers
- Error-reducing automatic calculators
- Verification that all required information is included on your return before it is submitted
- Instant confirmation
- You can access many features directly from the [myPATH](#) homepage without needing to create a username or password. Additional options are offered exclusively to users who opt to create an account.

# PA Employer Withholding Tax - 2022

## Rates and Deposit Frequencies

- Rate: 3.07%
- Deposit Frequencies
  - myPATH displays filing frequency
  - PA DOR notifies of change in frequency
    - Semi-weekly - liability greater than \$20,000/year
    - Semi-monthly – liability between \$4,000 - \$20,000/year
    - Monthly – liability between \$1,200 and \$4,000
    - Quarterly – liability under \$1,200 per year

# PA Sales Tax

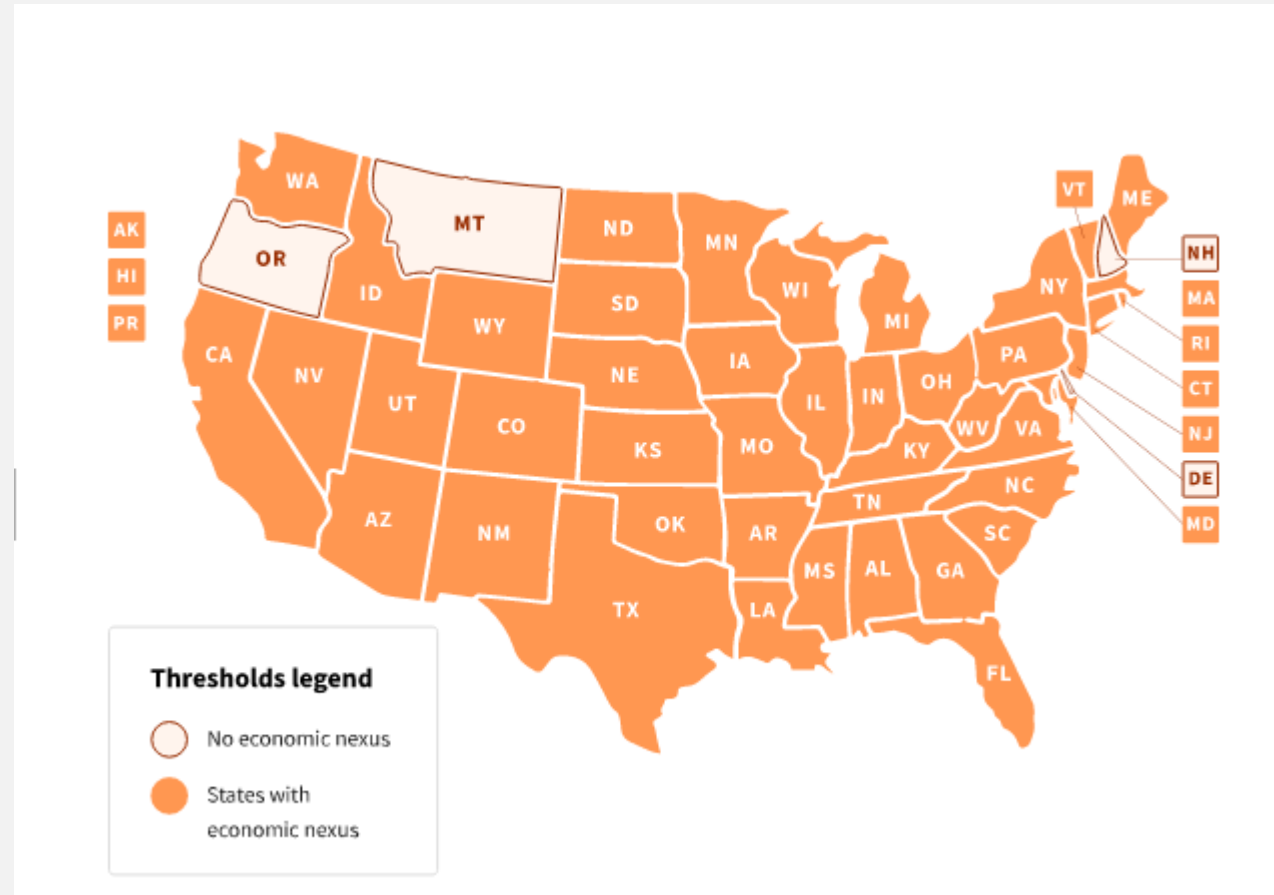
## Filing Frequencies

- Monthly with a pre-payment requirement
- Monthly
- Quarterly
- Semi-annual

Taxpayers will be notified by the PA Department of Revenue for changes in filing frequency; myPATH will display your filing frequency.

# Sales Tax – Nexus

(based on information as of 12/9/22 – subject to change)



# Pennsylvania Unemployment - 2023

## Form UC-2

### Rates and Wage Base

- Employee withholding
  - Rate: **.07%** for 2023, .06% for 2022
  - Wage base: No limit
- Employer contribution
  - Rate:
    - Assignment letter to be issued 12/16/2022, dated 12/31/22
    - Also available on UCMS
    - March 31, 2023 – last day to file a timely appeal of rate
  - Wage base: \$10,000 (same as 2022)



# PA Local Withholding Tax - 2023

## Guidelines

- Withhold at higher rate of where employee works or where employee lives
- Certificates of Residency
  - New Hires
  - Existing employees with address changes

# PA Local Withholding Tax - 2023

## Guidelines

- Filing options:
  - E-file
    - Must pay electronically if filing electronically
      - Upload using .csv, Federal or PA Standard format
      - Fill-in using data entry
  - Paper return
    - May pay with a paper check
      - Fill-in online and print ([www.hab-inc.com](http://www.hab-inc.com))
      - Preprinted paper form from Berkheimer

# Local Services Tax

## Guidelines

- Tax is based on the municipality where the employee works, not where the employee lives
- Withholding:
  - \$10 or less – withhold in one lump sum
  - Greater than \$10 – withhold in proportional amounts based on the number of pays in the year
- An employee with more than one place of employment has the tax withheld from the primary place of employment
- Contact your local tax collector for rate changes and/or collection changes, or refer to the DCED website

# Form W-2 Filing - 2022

## Federal

- Due date for filing with SSA - January 31, 2023
  - by mail or electronically
- To obtain the 2022 IRS instructions for forms W-2 and W-3, visit:
  - <https://www.irs.gov/pub/irs-pdf/iw2w3.pdf>
- Filing options:
  - Paper forms can be submitted
    - SSA Allows plain paper generated from software packages – do not need “pink” forms
  - Electronic filing options for W-2 and W-3:
    - File online with the SSA – must register first
      - <https://www.socialsecurity.gov/employer/>
    - Some software packages also submit the forms electronically

# Form W-2 Filing - 2022

## Federal

### Electronic Filing Requirement

- Employers filing 250 or more Forms W-2 must file electronically unless granted a waiver by the IRS
  - Taxpayer First Act of 2019 authorized Department of Treasury and IRS to issue regulations that reduce the 250 return requirement for 2022. However, at this time, no change has been made.
- All employers are encouraged to file Forms W-2 electronically

# Form W-2 Filing - 2022

## Federal Information Return Penalties

| 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                 |

# Form W-2 Filing - 2022

## Pennsylvania

- Filing options for forms W-2 and REV-1667:
  - myPATH (preferred method)
    - Upload file or key individual forms
  - Tele-file (10 or less)
  - Electronically through some accounting software packages
  - Paper forms via mail (10 or less)
  - Also due by January 31, 2023

# Form W-2 Filing - 2022

## PA Local

- Filing options for forms W-2 and W2R
  - Paper forms
    - Note: Box 20 must contain the **6 digit PSD code** where payments of withheld tax were remitted, not the township or borough name, or 2 digit TCD code.
  - Electronically @ [www.hab-inc.com](http://www.hab-inc.com)
    - .csv file format
    - Federal file format
    - SSA EFW2 File Format
    - PA Standard Format (updated in 2018)
  - Due by February 28, 2023



# Shareholder Health Insurance

## Treating Medical Insurance Premiums as Wages

- Health and accident insurance premiums paid on behalf of the greater than two percent S corporation shareholder-employee are deductible and reportable by the S corporation as wages for income tax withholding purposes on the shareholder-employee's Form W-2.
- These benefits are not subject to Social Security or Medicare (FICA) or Unemployment taxes. The additional compensation is included in Box 1 (Wages) of the Form W-2, Wage and Tax Statement, issued to the shareholder-employee, but would not be included in Boxes 3 and 5 of Form W-2; nor would it be included as PA state or local compensation.

<http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/S-Corporation-Compensation-and-Medical-Insurance-Issues>

# Other Fringe Benefits - 2022

- 2022 Fringe benefit taxability guide
- Group term life insurance coverage
- Auto Fringe

# Employee Benefit Limits

- 401(k) contribution limit
  - \$20,500 for 2022
  - \$22,500 for 2023
- 401(k) catch-up limit
  - \$6,500 for 2022
  - \$7,500 for 2023
- SIMPLE IRA contribution limit
  - \$14,000 in 2022
  - \$15,500 in 2023
- SIMPLE IRA catch-up contribution
  - \$3,000 in 2022
  - \$3,500 in 2023
- See booklet for grid

# 1099- MISC Reporting - 2022

## Federal

- No longer has box 7 – Non Employee Comp
- Form 1099-MISC is required to be furnished to recipients by:
  - 1/31/2023 – no amounts reported in box 8 or 10
  - 2/15/2023 – if amounts are reported in box 8 or 10
- File with IRS by:
  - February 28, 2023– paper filing
  - March 31, 2023 – electronic filing
- Penalties same as W-2 penalties

# 1099-NEC Reporting - 2022

## Federal

- Started in 2020 for forms filed in 2021
- Use to report nonemployee compensation
- Replaces 1099-MISC box 7

# 1099-NEC Reporting - 2022

## Federal

- Form 1099-NEC is required to be:
  - Furnished to recipients by January 31, 2023
  - Filed with IRS by January 31, 2023
- To obtain the 2022 IRS General instructions for forms 1099 and 1096, visit:  
<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

# 1099-NEC Reporting - 2022

## Federal

- Use IRS form W-9 to obtain proper information
- When issuing form 1099-NEC:
  - To a sole proprietor, use the proprietor's name with a social security number
  - To a partnership or corporation (such as an attorney), use the FEIN

# 1099 Reporting - 2022

## Federal

### Taxpayer First Act

- Internet platform for Form 1099 filings
  - The Act requires IRS to, by Jan. 1, 2023, develop an internet portal that facilitates taxpayers filing Forms 1099 with IRS. The website will provide taxpayers with access to resources and guidance provided by IRS, and allow taxpayers to prepare, file, and distribute Forms 1099, and create and maintain taxpayer records.
- Electronic Filing of Returns – threshold
  - **2022 filing year/2023 due date – still 250**



# 1099-NEC Reporting - 2022

## Pennsylvania

If you pay independent contractors, you may have to file Form 1099-NEC, Nonemployee Compensation, to report payments for services performed for your trade or business. If the following four conditions are met, you must generally report a payment as nonemployee compensation:

1. You made the payment to someone who is not your employee;
2. You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);
3. You made the payment to an individual, partnership, estate, or in some cases, a corporation; and
4. You made payments to the payee of at least \$600 during the year.

# 1099-NEC Reporting - 2022

## Pennsylvania

### How to file:

#### – Paper

- If the entity does not have a valid PA employer withholding account or
- If the entity is issuing 9 or fewer paper forms 1099-R/1099-MISC/1099-NEC (different addresses for withholding vs no withholding)
- If the entity isn't required to electronically file for PA employer withholding purposes

#### – myPATH

- If the entity issuing Form 1099-MISC/1099-NEC is required to perform electronic filing for PA employer withholding purposes, the Federal form 1099-MISC/1099-NEC shall be filed electronically with the Department through myPATH.
- If 10 or more 1099-R/1099-MISC/1099-NEC forms are issued

# 1099-NEC Reporting - 2022

## Pennsylvania

When to file:

- PA forms are due to the department at the same time they are due to the Internal Revenue Service:
  - Form 1099-NEC is required to be filed on or before January 31, 2023

# 1099-NEC Reporting - 2022

## Pennsylvania

- If you use a third-party payroll provider, or plan to complete your 1099-NEC forms at a separate time from your W-2 filings, we strongly advise that you register for a separate 1099-NEC account to avoid processing delays and errors.
  - Complete registration for a 1099-NEC account by completing the PA-100 at [my.path.pa.gov/ /](https://my.path.pa.gov/)
    - Only fill in the new account information

# 1099-NEC Reporting - 2022

## Pennsylvania

### Non-Resident Withholding

- Pennsylvania law requires withholding at a rate of 3.07 percent on non-wage Pennsylvania source income payments made to nonresidents. Withholding of payments that are less than \$5,000 during the calendar year are optional and at the discretion of the payor.
- Failure to comply with the withholding requirement may make you liable for the amount you should have withheld, plus penalties and interest. If you are unsure of the total amount of payments that will be made during the year, the Department of Revenue encourages you to withhold and remit income tax from all payments made.

# 1099-NEC Reporting - 2022

## Pennsylvania

### Non-Resident Withholding

- Nonresident withholding applies if all of the following are true:
  - You are responsible for making payments of non-wage income from Pennsylvania sources (commercial leases, royalties, services rendered, etc.).
  - The payment will exceed \$5,000 per payee in the calendar year.
  - The payment is made to a resident of another state.

# 1099-NEC Reporting - 2022


## Pennsylvania

### Non-Resident Withholding

- The nonresident withholding requirement does **NOT** apply to:
  - Wages paid to employees (see reciprocity rules).
  - Payments for goods and materials.
  - Sales of real estate located outside of Pennsylvania.
  - Residential rental agreements or residential lease payments.
- Nonresident withholding is **NOT** required when:
  - The payee is a corporation.
  - The payee is a partnership or multi-member liability company.
  - The payee is a nonresident with no PA source income.
  - The payee is a disregarded entity owned by a corporation or partnership.

# 1099-NEC Reporting - 2022

## Pennsylvania Non-Resident Withholding

 (EX) 11-19 (F)  
**REV-1832**  
BUREAU OF INDIVIDUAL TAXES  
PO BOX 28001  
HARRISBURG PA 17128-0001

**1099-MISC  
WITHHOLDING  
EXEMPTION CERTIFICATE** **20**

THE PAYEE COMPLETES THIS FORM AND SUBMITS IT TO THE PAYOR. THE PAYOR KEEPS THIS FORM WITH THEIR RECORDS.

**SECTION I PAYOR INFORMATION**

Payor Name \_\_\_\_\_ FEIN \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code \_\_\_\_\_

**SECTION II PAYEE INFORMATION**

Payee Name \_\_\_\_\_ Social Security Number or FEIN \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code \_\_\_\_\_

**SECTION III EXEMPTION REASON (mark only one oval)**

By marking the appropriate oval below, the payee certifies the reason Pennsylvania personal income tax is not required to be withheld on the payment of non-employee compensation, business income, or lease payments:

**Individual - PA Resident**  
I certify that I am a resident of Pennsylvania and I reside at the residence shown above. If I become a nonresident at any time, I will promptly notify the payor. See the instructions.

**Trust - PA Resident**  
I am the fiduciary of the above-named trust. The trust was established by a Pennsylvania resident at the time of death or by operation of the trust agreement by a Pennsylvania resident. The trust will file a PA-41, Fiduciary Income Tax Return. See the instructions.

**Estate - PA Resident**  
I am the executor of the above-named person's estate. The decedent was a Pennsylvania resident at the time of death. The estate will file a PA-41, Fiduciary Income Tax Return. See the instructions.

**Not Subject to PA Income Tax**  
The payee is not subject to PA personal income tax for the following reason:

Payee is a corporation  
 Payee is a partnership or multi-member limited liability company  
 Payee is a nonresident with no PA-source income  
 Payee is a disregarded entity owned by a corporation or partnership, or PA resident  
 Other: please provide reason \_\_\_\_\_

<https://www.revenue.pa.gov/FormsandPublications/FormsforIndividuals/PIT/Documents/rev-1832.pdf>



# IRS Standard Mileage Rate

## Standard Mileage Rate for Business

2023 – ??? cents/mile

Jan 1 – Jun 30, 2022 – 58.5 cents/mile

Jul 1 – Dec 31, 2022 – 62.5 cents/mile

From the entire staff at  
HBK CPAs and Consultants

*Thank you for attending!*