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Dear Clients and Friends:

As we begin the New Year, there are changes we would like to make you aware of as well as some internal procedures that should be reviewed for compliance. If you have any questions regarding this information, please refer to our website www.socpapc.com or call the office.

2017 Important Payroll Tax Information

- **The due date for filing 2016 Form W-2 with the Social Security Administration is now January 31, 2017, whether you file paper forms or electronically.**
- **The due date for filing 2016 Form 1099-MISC with the Internal Revenue Service is now January 31, 2017, whether you file paper forms or electronically.**
- For 2017, the employee and employer tax rates for Social Security and Medicare remain the same at 12.4% (6.2% paid by employee and 6.2% paid by employer) for Social Security and 2.9% for Medicare (1.45% paid by employee and 1.45% paid by employer). However, the Maximum Taxable Earnings for Social Security increased to \$127,200, up from \$118,500 in 2016.
- The NY State Unemployment Insurance Maximum Taxable Earnings have been increased from \$10,700 to \$10,900.
- The NY State Minimum Wage has increased to \$10.00/hour and the Max. Tip Credit (Tipped Food Service Worker) has decreased to \$2.50/hour.
- Effective January 1, 2017, standard mileage rates for business miles driven has decreased from 54 cents per mile to 53.5 cents per mile.
- Social Security Benefits earnings limit that can be earned has increased from \$15,720 to \$16,920.

2017 Wage and Tax Highlights

Federal

• FICA (Social Security)	Maximum Taxable Earnings:	\$ 127,200
• FICA (Medicare)	Maximum Taxable Earnings:	No Limit
• FICA (Social Security)	Employee Tax Rate	6.2%
• FICA (Social Security)	Employer Tax Rate	6.2%
• FICA (Medicare)	Employee Tax Rate	1.45%
• FICA (Medicare)	Employer Tax Rate	1.45%
• FUTA (Employer-Paid)	Maximum Taxable Earnings:	\$ 7,000

New York

- State Unemployment Insurance Maximum Taxable Earnings: \$ 10,900
- Minimum Wage – Suffolk, Nassau and Westchester Counties \$10.00/hour
- Minimum Wage – NYC with 10 or fewer employees \$10.50/hour
- Minimum Wage – NYC with 11 or more employees \$11.00/hour
- Minimum Wage – Remainder of New York State \$9.70/hour
- Minimum Wage – Fast Food Establishments in NYC \$10.50/hour
- Minimum Wage – Fast Food Establishments outside NYC \$9.75/hour
- Min. Cash Wage (Tipped Food Service Worker) \$7.50/hour
- Max. Tip Credit (Tipped Food Service Worker) – Suffolk, Nassau and Westchester Counties \$2.50/hour
- Max. Tip Credit (Tipped Food Service Worker) – NYC with 10 or fewer employees \$3.00/hour
- Max. Tip Credit (Tipped Food Service Worker) – NYC with 11 or more employees \$3.50/hour
- Max. Tip Credit (Tipped Food Service Worker) – Remainder of NYS \$2.20/hour

Payroll and Reporting Requirements - 2017

◆ Social Security Benefits

If you were born prior to January 1, 1955, then your full retirement age for social security benefits is 66. If you work and are full retirement age or older, you may keep all of your benefits, with no limits on how much you earn.

If you are younger than full retirement age, then your social security benefits are reduced and your earnings are limited to \$16,920. If your earnings exceed \$16,920, social security benefits are reduced even further.

◆ Wage Theft Protection Act

All employers are required to provide newly hired employees with notification stating their rate of pay, including overtime; whether they are paid hourly, by shift, by the day or the week, monthly or by commission; the date of their regular payday; their employer's official name and any name it uses in business; the employer's address and phone number, and any deductions such as for tips, meals and lodging. These notices must be issued at the time of hire and are required on an annual basis beginning in 2016. Employers must keep records on file and give to each employee a copy of their signed notification. These forms should be updated only upon change of pay rate and/or employee information. There are increased penalties of up to \$5,000 for noncompliance per violation and personal liability to LLC members for wages owed. Please refer to our website for more detailed information and samples of notification letters.

◆ Form W-4 (2017)

Employers should obtain updated W-4's every year for all existing employees as well as for new employees. The updated W-4's should be compared to your payroll set up or forwarded to your payroll company so they can update the employee's information.

◆ **New Hires**

All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the Form I-9. Acceptable documents are listed on the back of the form. You can also visit www.uscis.gov for a listing of current acceptable documents.

New York State requires the reporting of any newly hired employees. The required information can be reported by submitting a completed and legible copy of the employee's New York State Form IT-2104. This must be submitted to NYS within 20 calendar days from the hiring date. You can submit this information online via the Web site at www.nynewhire.com; by fax to (518) 320-1080; or mail to:

NYS Dept. of Taxation and Finance
New Hire Notification
P.O. Box 15119
Albany, NY 12212-5119

◆ **Social Security Number Verification**

The Social Security Administration (SSA) has set up several methods for employers to verify employee names and social security numbers. You must register online and receive authorization from your employer to use these services. To register, visit SSA's website at www.socialsecurity.gov/employer and click on the *Business Services Online* link.

- The SSA allows you to verify up to ten (10) names and numbers with Telephone Number Employer Verification (TNEV) by calling (800) 772-6270 or (800) 772-1213.
- You can also verify SSNs on line at: www.ssa.gov/employer/ssnv.htm.

◆ **Illegal Workers**

In recent years there has been an increase in ways to crack down on illegal workers by the Department of Homeland Security and the Social Security Administration. Significant civil penalties may be imposed against employers who have hired ineligible employees.

Employees have been furnishing ITIN's in lieu of social security numbers on their W-4s. These numbers begin with 9 and have a 7 or 8 as the fourth digit (i.e. 9XX-8X-XXXX). These numbers are not social security numbers and are not valid for employment. If you have any current employees who have furnished these ITIN's, please immediately review your records, request proper identification, and complete a 2017 W-4 and I-9 form for these employees.

◆ **Subcontractors & 1099 Filing Requirements**

Employers with subcontractors must have updated W-9's on file for all subcontractors. Certificates of Insurance for both Workers' Compensation and General Liability will also be required from these subcontractors for the annual insurance audits. If you are using QuickBooks the program has a section indicating if the subcontractor is to receive a 1099. Utilizing this feature will assist you in preparing 1099s. Significant penalties may apply for the failure to file form 1099.

We have seen an increase in the amount of audits that are challenging the eligibility of the subcontractor. If you have concerns that a subcontractor may meet the criteria of an employee please call us to discuss.

◆ **Federal Tax Deposit Rules – Unchanged**

Please refer to Publication 15 on the IRS website for any questions regarding your filing requirements.

◆ **Employer Shredding Requirements**

Federal law now requires that employers protect their employees' personal information by shredding "consumer reports" they receive about the employees they hire. To protect against identity theft, it is good practice to shred all documents containing employees' personal information.

NEW YORK STATE TAXES

◆ **NYS Payment Requirements for NYS Withholding - Unchanged**

As of April 30, 2015, withholding tax returns are required to be filed electronically. Please refer to Publication NYS-50 on the NYS Tax Department's website for any questions regarding your filing requirements.

◆ **MTA Payroll Tax - Unchanged**

Effective April 1, 2012, the MTA tax was eliminated for many small businesses across New York State and a reduced rate now applies for most others.

The Rates have not changed for 2017 and are:

<u>Quarterly Payroll Expense</u>	<u>Rate</u>
Up to \$312,500 per quarter	0.00%
Exceeding \$312,500 up to and including \$375,000 per quarter	0.11%
Exceeding \$375,000 up to and including \$437,500 per quarter	0.23%
Exceeding \$437,500 per quarter (rate does not change)	0.34%

◆ **Requirements for PromptTax Program**

EFT's are required for income tax withholding and sales and use taxes when certain thresholds are met. The threshold for combined withholding and NYS Unemployment tax is \$100,000 liability filed for the previous tax year; and for sales and use tax the threshold is \$500,000 liability or more during the period of June 1 through May 31 of the preceding year.

If you are enrolled in the PromptTax Program, this program has updated its services and can now be filed directly on the NYS website under the Employment and Withholding taxes tab.

Pensions - Elective Salary Deferral Plans

- ◆ The 2017 maximum salary deferrals are as follows:

	<u>Taxpayers Under 50</u>	<u>Taxpayers Over 50</u>
401(k) Plans	\$18,000	\$24,000
403(b) Plans	\$18,000	\$24,000
Simple Plans	\$12,500	\$15,500

- ◆ Employer Match Recommendation - We recommend that the employer salary deferral match be made each quarter when completing your 941.
- ◆ If an eligible employee decides to “Opt-Out” of an employer sponsored plan, the employer should have the employee sign a disclaimer form and place it in their personnel file. The disclaimer should be updated annually.

Other Items

◆ **Insurance**

All NYS employers are required to carry NYS Workers’ Compensation and Disability Insurance policies with few exceptions.

Most companies are experiencing insurance rate increases. Please review your coverage well in advance of your expiration dates. During the past year the Workers' Compensation and general liability auditors have been requesting additional data. The additional information is:

- Copies of invoices to your clients showing the type of work being done and the location of that work.
- The Certificates of Insurance from subcontractors must include the coverage for the period of the audit.
- The vendors insurance certificate must indicate whether anyone has been exempted from insurance and must list the employer as an additional insured.

◆ **Health Insurance**

Most companies are experiencing insurance rate increases. Please review your coverage well in advance of your expiration dates. If an eligible employee decides to “Opt-Out” of an employer sponsored health plan the employer should have the employee sign a disclaimer form and place it in their personnel file. The disclaimer should be updated annually.

Affordable Care Act (Obamacare) Employer Responsibilities and reporting requirements:

- All businesses offering group health insurance are required to offer the same group health insurance to all full time employees regardless of number of the employees.
- Because group health plans must now meet the ACA unlimited benefits and no-cost coverage requirements, Large employers (50 or more full time or full time equivalent) cannot reimburse the premiums for individual employee health insurance policies on a pretax basis (IRS Notice 2013-54, Sec. III, Q&A 1) Thus, for those large employers who have been reimbursing employee payments for individual policies, a change is required.
- In December 2016, President Obama signed into law the 21st Century Cures Act, which allows small businesses (less than 50 full time or full time equivalent employees) to create stand-alone HRAs to reimburse employees for health-related expenses, including insurance. There is a limit of \$4,950 for an individual employee or \$10,000 if an employer wants to pay for employee’s family expenses. The amounts will be increased based on inflation.
- Employers with 50 or more full time or full time equivalent employees are required to prepare and file form 1095-C, Employer-Provided Health Insurance Offer and Coverage, with the IRS which reports whether or not health insurance coverage was offered, and if offered, the terms and conditions of the health care coverage offered to full time employees for the year.
- Employers with 250 or more employees in the prior calendar year may be required to report on Form W-2, Box 12, Code DD the total cost of the employer contribution to health coverage

◆ **Sales Tax**

The NYS Sales tax department in conducting its audits has asked to review sales invoices. Please be sure that your invoices differentiate between taxable and non-taxable services and products. Businesses that purchase taxable items from out-of-state or the internet and are not charged for NYS Sales Tax will have to remit the required sales tax as a use tax on their sales tax returns. This is true for all materials, supplies, and equipment.

◆ **Sales Tax – Materials Credit**

New York State in its effort to collect more revenue, is reviewing those returns that claim a materials credit. This will require a more detailed allocation of costs (from invoices) to support the calculation. If you would like for us to review the calculation with you, please give us a call.

◆ **Employee Posters**

Federal and state employment laws must be posted in a conspicuous place at all times.

◆ **Payroll Forms**

For your convenience, Form W-4, Form IT-2104, Form W-9 and Form I-9 can be downloaded from our Website at www.socpapc.com. Please click on “Payroll Forms” on our home page and then choose the Form you want to print. If you prefer, you can call our office and we will mail you these forms.

◆ **Agency internet web sites:**

- Internal Revenue Service: www.irs.gov
- Social Security Administration: www.ssa.gov
- U.S. Dept. of Labor: www.dol.gov
- Dept. of Taxation & Finance: www.tax.ny.gov
- NY Dept. of Labor: www.labor.ny.gov/home
- US Dept. of Homeland Security: www.uscis.gov