



QUICK REFERENCE GUIDE
for
2009 - 2010
PAYROLL TAX

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W-2 Filing in Oregon

Effective 2009, Oregon will require electronic filing of W-2's to report wages for personal income tax purposes. The new requirement will apply to businesses with 250 or more employees and all payroll service providers. Electronic filing for smaller businesses will be phased in over time. The filing due date will be the same as the federal (March 31).

Minimum Wage**Oregon**

Effective January 1, 2009, Oregon's minimum wage will increase from \$7.95 an hour to \$8.40 an hour. The minimum wage will remain at \$8.40 per hour for 2010.

Washington

Effective January 1, 2009, Washington's minimum wage will increase from \$8.07 an hour to \$8.55 an hour. The minimum wage will remain at \$8.55 per hour for 2010.

Federal

The federal minimum wage increased to \$7.25 an hour effective July 24, 2009. The minimum wage will remain at \$7.25 an hour for 2010.

2010 Withholding tables**Federal**

The new tables are now available on the IRS website and are effective January 1, 2010. Publication 15 (circular E) reflects changes included in the American Recovery and Reinvestment Act of 2009 (ARRA).

Oregon

2010 Payroll Withholding/Transit updates as stated by Oregon Department of Revenue:

"We're currently reviewing whether we need to update the Oregon withholding tax tables and related formulas. One factor we're considering is House Bill 2649, which would raise the tax rate on higher income levels.

That bill is scheduled for a public vote on January 26, 2010.

We'll decide whether to update the tables and formulas by early February 2010, and publish the revised tables and formulas then.

For now, please keep using the 2007 withholding tax tables and formulas."

**Washington Paid
Family Leave**

Measure S.B.6158, that was signed by Governor Gregoire May 18, 2009, delays the effective date of the paid leave mandate to October 2012. The family leave insurance program will provide up to five weeks of paid leave for every eligible employee to care for a newborn or newly adopted child with a wage replacement benefit of up to \$250 per week.

Form I-9**USCIS Reminds Employers to Use New Form I-9**

After December 26, 2007, employers who fail to use the new Form I-9 may be subject to all applicable penalties. All employers are required to complete a Form I-9 for each new employee hired in the United States. Find the new I-9 Form at <http://www.uscis.gov/i-9>

**Social Security
Number Verification
Service (SSNVS)**

There are two Internet verification options you can use to verify that your employee names and Social Security numbers match social Security's records. You can:

- Verify up to 10 names and SSNs (per screen) online and receive immediate results. This option is ideal to verify new hires.
- Upload overnight files of up to 250,000 names and SSNs and usually receive results the next government business day. This option is ideal if you want to verify an entire payroll database or if you hire a large number of workers at time.

While the service is available to all employers and third-party submitters, it can only be used to verify current or former employees and only for wage reporting (Form W-2) purposes.

Steps to Register for SSNVS

1. **Register to use SSNVS** - Registration is required through www.ssa.gov/bsowelcome.htm. Third-party preparers need only register once in their own firm's name. Complete the registration form and select your own password. Social Security will verify your identity against our records and display a User ID. Make note of your User ID, password and expiration date. http://www.ssa.gov/employer/ssnvs_handbk.htm
2. **Request Access and Activation Code** - Return to www.ssa.gov/bsowelcome.htm and login with your User ID and password. Select "Request Access and Activation Code."
3. **Activation Code is Mailed to Your Employer** - Your employer should give you the activation code which allows you access to SSNVS.
4. **Login to Use the Service** - go to www.ssa.gov/bsowelcome.htm, select Login, input your User ID, password and activation code and you will be able to use the service.

Oregon Domestic Partnership (per Oregon Department of Revenue Website)

A Domestic Partnership is only valid under state law. Federal law does not recognize domestic partnerships. Oregon law requires Domestic Partners to be registered. Information on registering is available at the Department of Human Resources. Registered Domestic Partners will be allowed to file as “married filing jointly” or “married filing separate” their Oregon tax return.

1. The imputed value of certain fringe benefits provided by an employer to an employee's domestic partner are exempt from state income tax.
2. As used in this rule, "fringe benefits" means employee benefits provided to an employee's domestic partner that are tax exempt when provided to an employee's spouse.
http://www.oregon.gov/DOR/PERTAX/RDP_FAQs.shtml
3. Your employer should include the imputed value of the benefit in your taxable wages. The employer should also provide you with information as to how much was added to your wages because of the imputed income. This information may be on your W-2 form, or it could be reported on your earnings report or your payroll stub. If you qualify as a domestic partner, you can claim the imputed value as an "other subtraction" when you file your Oregon tax return.
4. Will my employer be required to start providing health care to my partner, like they do for married spouses?

HB 2007 does not provide a clear answer on this issue. If you work for a public (government agency) employer, then your employer already has been required to extend health care benefits to same-sex partners to the same extent as spouses, based on the 1998 Tanner v. OHSU court decision. If you work for a private employer, it is unclear whether your employer is obligated to extend health benefits to same-sex Domestic Partner

Form 944 and Form 944(v)

Employer's Annual Federal Tax Return and payment voucher - Employers with an annual tax liability of \$1,000 or less qualify to use Form 944. The annual tax return is due February 2, 2009.

Employers can choose to file Forms 941 instead of Form 944 for 2010. Employers can notify the IRS if they want to file quarterly. See Revenue Procedure 2009-51 for more information.

Depositing Federal Taxes

Please be advised that many banks - the largest being Bank of America - will no longer accept Form 8109 coupons for the payment of federal tax liabilities.

Some of the banks may provide wire transfers of the taxes, but they will charge a fee for their services.

Clients that outsource payroll but deposit taxes on their own may want to change to having the payroll company deposit taxes for them.

There is a mailing option. Per instructions on Form 8109:

"you may mail your coupon and payment to Financial Agent, Federal Tax Deposit Processing, P.O. Box 970030, St. Louis, MO 63197. Make your check or money order payable to Financial Agent.

The Financial Agent cannot process foreign checks.

The IRS determines whether deposits are on time by the date they are received by an authorized depository. However, a deposit received by the authorized depository after the due date will be considered timely if the taxpayer establishes that it was **mailed** in the United States in a properly addressed, postage prepaid envelope **at least 2 days before the due date**.

Note: If you are required to deposit any taxes more than once a month, any deposit of \$20,000 or more must be received by the due date to be timely."

Remember that this applies to all tax deposits, not just payroll.

Economic Stimulus Act: COBRA Subsidy, Eligibility extended

COBRA Continuation Coverage Assistance Under ARRA

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended on December 19, 2009 by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. Eligible individuals pay on only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. To qualify, individuals must experience a COBRA qualifying event that is the involuntary termination of a covered employee's employment. The involuntary termination must occur during the period that began September 1, 2008 and ends on February 28, 2010. The premium reduction applies to periods of health coverage that began on or after February 17, 2009 and lasts for up to 15 months.

Federal and State Payroll Tax Rates and Bases

Social Security	1
Cost of Living Adjustment (COLA)	2
Minimum Wage	2
Standard Deduction and Personal Exemption	2
Federal Transportation Limits	2
Transit Payroll Taxes	3
Unemployment Taxes	3

Withholding and W-2 Reporting Charts

Withholding on Bonus and Supplemental Payments	5
Standard Mileage Rate for Autos Used in Business	5
401(k), 403(b), Simple Plan Contributions	5
Cafeteria Plans	6
Meals and Lodging (for the convenience of the employer)	6
Tips Reported	6
Tips Allocated	6
Group Term Life Insurance Excess Cost and Dependent's Group Term Life Insurance (Face Value More Than \$2,000)	7
2% Shareholders S-Corp Health Insurance	7
Christmas Bonus/Gifts	8
Value of Personal Use of Company Car	8
Sick Pay	9
If You Employ Family Members	11
Unsubstantiated Business Expense Advances and Excess Reimbursements	11

Worker's Compensation

Oregon Workers' Compensation Insurance	13
Washington Workers' Compensation Insurance	13

W-2 Preparation

General Instructions	14
Electronic filing of W-2s and Electronic Requirements	15
W-2 Filing Instructions	16

Tax Deposit Rules - Federal and Oregon

Overview	21
How to Calculate the Tax Liability Per Pay Period	21
Quarterly \$2,500 Rule	21
Monthly Rule	21
Semi-Weekly Rule	21
\$100,000 Rule	22
Federal Method of Depositing	22
Oregon Method of Depositing	24

Penalties and Interest

Federal Penalties and Interest	25
Oregon Penalties and Interest	26

New Hire Reporting

State-Required Implementation	27
New Hire State Contacts	28

Frequently Asked Payroll Questions

W-4 Reporting	29
When Can an Employee Claim Exempt from Withholding on Form W-4?	29
May an Employer Give an Employee More than One W-2 Form?	29
Undeliverable W-2's	29
How Should a W-2 Already Filed with the SSA be Corrected?	30
May an Employer Charge a Fee to Duplicate Copies of Form W-2?	30
Multiple Employers and FICA Withholding	30
Withholding FICA From Employees Receiving Social Security Benefits	30
How to "Gross Up" a Bonus or a Non-Cash Taxable Benefit	31
Withholding on Cash Bonuses	32
Casual Labor	32
Tax Due Dates Falling on Saturday, Sunday or Legal Holidays	32
How to Report Moving Expense Reimbursements	33
Final Paychecks	34
Qualified Transportation Fringe Benefits	34

Domestic (Household) Employee

Federal ID Number	35
Federal Rules for Withholding and Tax Reporting	35
State Rules for Withholding and Tax Reporting	35
2008 W-2 Forms	36
Domestic Service Defined	36
When Do Minimum Wage and Overtime Requirements Apply?	37

Forms Ordering

Forms	38
-------	----

Guidelines to Record Retention

Guidelines to Record Retention	39
--------------------------------	----

Resources and Websites

Payroll Resource Persons in GMCO Office	40
Other Resources and Helpful Websites	40

Suggested Publications for Reference

Suggested Publications for Reference	41
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Social Security

2010 Base & Rates

	Base	Rate	Maximum W/H
2010/2009 FICA	\$106,800	6.20% (.0620)	\$6,621.60
2010/2009 Medicare	Unlimited	<u>1.45% (.0145)</u> <u>7.65%</u>	Unlimited

Total Self-Employment Rate

15.3% (.153) – FICA and Medicare Base and Rate split the same as above for 2010 and 2009.

Maximum Earnings without Losing Social Security Benefits*

Age Group	2010 Limitation	2009 Limitation
Under full Retirement age	\$14,160 annual \$1,180/month	\$14,160 annual \$1,180/month
In the year the individual reaches full retirement age	\$1 in benefits is deducted for each \$3 earned above \$37,680 until the month full retirement age is reached	\$1 in benefits is deducted for each \$3 earned above \$37,680 until the month full retirement age is reached
Over full retirement age	Unlimited	Unlimited

* The Senior Citizens’ Freedom to Work Act of 2000 eliminated the annual earnings test as of January 2000 for workers who reach full retirement age. Full retirement ages in 2010 are:

- 66 years, for those born in 1943 - 1954
- 65 years, 10 months for those born in 1942
- 65 years, 8 months for those born in 1941

This will gradually increase until it reaches age 67 for people born in 1960 and later.

Standard Medicare Part B Premium

January 1, 2010: \$96.40/mo
January 1, 2009: \$96.40/mo

In 2010 higher income beneficiaries will pay a monthly premium equal to 35, 50, 65 or 80 percent of the total cost, depending on their adjusted gross income. The IRS will send a letter explaining new premium and how they made their determination.

Cost of Living Adjustment (COLA)

January 1, 2010:	0.0%
January 1, 2009:	5.8%
January 1, 2008:	2.3%

Minimum Wage

	Rate	Effective Date
Federal	\$7.25 per hour There is no projected increase for 2010.	July 24, 2009
Oregon	\$8.40 per hour There is no projected increase for 2010.	January 1, 2009
Washington	\$8.55 per hour There is no projected increase for 2010.	January 1, 2009

NOTE: FLSA provides that where state law requirements exceed FLSA, the state law will prevail.

Standard Deduction and Personal Exemption

	2010 Federal	2009 Federal
Standard Deduction		
Married filing jointly	11,400	11,400
Single	5,700	5,700
Personal Exemption	3,650	3,650

Federal Transportation Limits

	2010	2009
Fringe benefit – employer provided passes and commuter vehicles	\$230/mo	\$230/mo
Fringe benefit – qualified parking	\$230/mo	\$230/mo
Fringe benefit – bicycle	\$20/mo	\$20/mo

Transit Payroll Taxes

Location	Rate	Comments
Oregon Tri-Met (Multnomah, Clackamas, Washington counties)	2010 - .6818% (.006818) 2009 - .6718% (.006718)	On all wages earned in the Tri-Met taxing boundaries
Oregon – Lane County	2010 - .6600% (.0066) 2009 - .6500% (.0065)	On all wages earned in Lane County taxing boundary
Oregon – Other Cities		
Canby (cat)	2010/09 - .6% (.006)	Forms may be found on the respective websites
Sandy	2010/09 - .6% (.006)	
Molalla (sctd)	2010/09 - .5% (.005)	
Wilsonville (SMART)	2010 - .5% (.005) 2009 - .5% (.005)	
Washington		
City of Vancouver – Business License Fee Surcharge		Beginning January 1, 2007, the city of Vancouver began charging an annual fee of \$50 per employee to be paid in addition to the annual Business License base fee. The surcharge is to be used to fund transportation projects.

Unemployment Taxes

Federal Unemployment

Base	Rate
\$ 7,000	.8% (.008) (net after state credit)

NOTE: Quarterly deposit required if tax liability for one or more quarters is \$500 or more.

Oregon Unemployment

Year	Base	Rate
2010	\$32,100	1.80% (.0180) to 5.4% (.054)
2009	\$31,300	0.90% (.0090) to 5.4% (.054)

Special payroll tax: 0.09% (.0009) for all four quarters of 2010.

Base rate for new employer:

2010	3.1% (0.031)
2009	2.4% (0.024)

Washington Unemployment

Year	Base	Rate
2010	\$36,800	.95% (.0095) to 6.0% (.0600)
2009	\$35,700	.35% (.0035) to 6.23% (.0623)

**Unemployment Taxes
(continued)**

All States Unemployment Wage Bases

State	2010 Wage Base	2009 Wage Base	State	2010 Wage Base	2009 Wage Base
AL	\$8,000	\$8,000	MT	\$26,000	\$25,100
AK	34,100	32,700	NC	19,700	19,300
AZ	7,000	7,000	ND	24,700	23,700
AR	12,000	10,000	NE	9,000	9,000
CA	7,000	7,000	NH	10,000	8,000
CO	10,000	10,000	NJ	29,700	28,900
CT	15,000	15,000	NM	20,800	20,900
DE	10,500	10,500	NV	27,000	26,600
DC	9,000	9,000	NY	8,500	8,500
FL	8,500	7,000	OH	9,000	9,000
GA	8,500	8,500	OK	14,900	14,200
HI	38,800	13,000	OR	32,100	31,300
ID	33,300	32,200	PA	8,000	8,000
IL	12,520	12,300	PR	7,000	7,000
IN	9,500	7,000	RI	19,000	18,000
IA	24,500	23,700	SC	7,000	7,000
KS	8,000	8,000	SD	10,000	9,500
KY	8,000	8,000	TN	9,000	9,000
LA	7,700	7,000	TX	9,000	9,000
ME	12,000	12,000	UT	28,300	27,800
MD	8,500	8,500	VT	10,000	8,000
MA	14,000	14,000	VI	22,200	22,100
MI	9,000	9,000	VA	8,000	8,000
MN	27,000	26,000	WA	36,800	35,700
MS	7,000	7,000	WV	12,000	**12,000
MO	13,000	12,500	WI	12,000	12,000
			WY	22,800	21,500

** Effective as of April 1, 2009 (previously \$8,000).

Withholding on Bonus and Supplemental Payments

Federal: 25.00% (2010 and 2009)
 FICA: 6.20%
 Medicare: 1.45%
 Oregon: 9.00%

NOTE: If supplemental wages paid to any one employee during the year exceed \$1,000,000, the excess will be subject to the highest rate of income tax for the year. That rate is 35% for 2010 and 2009

If employee has a W-4 of “Exempt”, you must honor that status until the employee reaches \$1,000,000.

Standard Mileage Rate for Autos Used in Business

Effective January 1, 2010: 50 cents per mile for all business use miles

Effective January 1, 2009: 55 cents per mile for all business use miles

401(k), 403(b), Simple Plan Contributions

Taxable

FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met, Workers’ Comp Insurance

Exempt

Federal withholding (FWH), state withholding (SWH)

W-2 Boxes

Box 3 (unless over base)

Box 5

Box 12 (401k and Simple – Code D; 403B – Code E)

** note: if there is an elective deferral designated for a Roth contribution, the Roth contribution is reported in box 12 with code AA (401(k)) or code BB (403(b)).

Qualified Pension Plan Contributions Limitations

	2010	2009	2008
401(k) Elective Deferrals	16,500	16,500	15,500
401(k) Catch-up Contributions	5,500	5,500	5,000
403(b) Elective Deferrals	16,500	16,500	15,500
Annual Compensation Limit	245,000	245,000	230,000
408(k) SEP	550	550	500
408(k) SEP Compensation	245,000	245,000	230,000
408(p) SIMPLE Plans	11,500	11,500	10,500
408(p) Catch-up Contributions	2,500	2,500	2,500
Highly Compensated Employees	110,000	110,000	105,000

Cafeteria Plans**Taxable**

OR Unemployment (see Exempt), WA Unemployment, Workers' Comp Insurance

Exempt

FWH, SWH, FICA/Medicare, FUTA, Tri-Met, OR Unemployment (medical payments ONLY – any other benefits, such as dependent care, are taxable)

W-2 Boxes

Box 10 (ONLY for dependent care benefits)

Meals and Lodging (for the convenience of the employer)**Taxable**

OR Unemployment, Workers' Comp Insurance

Exempt

FWH, SWH, FICA/Medicare, FUTA, Tri-Met, WA Unemployment

W-2 Boxes

None – not reported on W-2

Tips Reported**Taxable**

FWH, SWH, FICA/Medicare, FUTA, OR Unemployment

Exempt

Workers' Comp Insurance, Tri-Met, WA Unemployment

W-2 Boxes

Box 1

Box 5

Box 7 (unless over base)

Box 16

Tips Allocated**Exempt**

All taxes

W-2 Boxes

Box 8 – ONLY

Group Term Life Insurance Excess Cost and Dependent's Group Term Life Insurance (Face Value More than \$2,000)

Taxable

FICA/Medicare

Exempt

FWH, SWH, FUTA, OR/WA Unemployment, Workers' Comp Insurance

W-2 Boxes

- Box 1
- Box 3 (unless over the base)
- Box 5
- Box 12 (Code C)
- Box 16

Table to Calculate Group Term Life Insurance Excess Cost

Age	Cost/\$1,000/Mo	Age	Cost/\$1,000/Mo
Under 25	\$.05	50 to 54	\$.23
25 to 29	.06	55 to 59	.43
30 to 34	.08	60 to 64	.66
35 to 39	.09	65 to 69	1.27
40 to 44	.10	70 & older	2.06
45 to 49	.15		

Example

Face value: \$150,000
 Employee's Age: 43 (last day of the calendar year)
 Coverage subject to tax: \$100,000 (\$150,000 - \$50,000)
 \$100,000 x 10 cents per month for \$1,000 of coverage = \$10 per month
 \$10 per month x 12 months = \$120 additional annual gross wages

Greater than 2% Shareholders S-Corp Health Insurance

Scenario 1 – Policyholder is the S corporation and the corporation makes all of the premium payments.

Scenario 2 – Policyholder is the > 2% shareholder. The corporation makes all of the premium payments.

Scenario 3 – Policyholder is the > 2% shareholder, the shareholder makes all of the premium payments. The corporation reimburses the shareholder.

For all three scenarios, the premium payments are treated as follows on the > 2% shareholders W-2:

Taxable

FWH, SWH

Exempt

FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met

W-2 Boxes

- Box 1
- Box 14 (item should be labeled)
- Box 16

NOTE: The term “2% Shareholder” includes indirect ownership relationships such as children, grandchildren, parents, and grandparents.

Christmas Bonus/Gifts**DE MINIMIS MERCHANDISE GIFTS (Turkeys, hams, etc.)**Taxable

None

Exempt

FWH, SWH, FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met

W-2 Boxes

None

CASH (Any amount, including gift certificates/gift cards)Taxable

FWH, SWH, FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met

Exempt

Workers' Comp Insurance

W-2 Boxes

Box 1

Box 3 (unless over base)

Box 5

Box 16

**Value of Personal Use
of Company Car**TaxableFWH*, SWH*, FICA/Medicare, FUTA, OR/WA Unemployment,
Tri-MetExempt

FWH*, SWH*

W-2 Boxes

Box 1

Box 3 (unless over base)

Box 5

Box 14 (labeled: personal use/company car)

Box 16

*An EMPLOYER can elect NOT to withhold if the employee is notified in writing by January 31 or within 30 days from the date the employee is provided an automobile.

Value of Personal Use of Company Car (continued)

Annual Lease Value Table – Personal Use of Company Car

Automobile FMV	Annual Lease Value	Automobile FMV	Annual Lease Value
\$ 0 - 999	\$ 600	\$22,000 - 22,999	6,100
1,000 - 1,999	850	23,000 - 23,999	6,350
2,000 - 2,999	1,100	24,000 - 24,999	6,600
3,000 - 3,999	1,350	25,000 - 25,999	6,850
4,000 - 4,999	1,600	26,000 - 27,999	7,250
5,000 - 5,999	1,850	28,000 - 29,999	7,750
6,000 - 6,999	2,100	30,000 - 31,999	8,250
7,000 - 7,999	2,350	32,000 - 33,999	8,750
8,000 - 8,999	2,600	34,000 - 35,999	9,250
9,000 - 9,999	2,850	36,000 - 37,999	9,750
10,000 - 10,999	3,100	38,000 - 39,999	10,250
11,000 - 11,999	3,350	40,000 - 41,999	10,750
12,000 - 12,999	3,600	42,000 - 43,999	11,250
13,000 - 13,999	3,850	44,000 - 45,999	11,750
14,000 - 14,999	4,100	46,000 - 47,999	12,250
15,000 - 15,999	4,350	48,000 - 49,999	12,750
16,000 - 16,999	4,600	50,000 - 51,999	13,250
17,000 - 17,999	4,850	52,000 - 53,999	13,750
18,000 - 18,999	5,100	54,000 - 55,999	14,250
19,000 - 19,999	5,350	56,000 - 57,999	14,750
20,000 - 20,999	5,600	58,000 - 59,999	15,250
21,000 - 21,999	5,850	60,000 +	*

*FMV greater than \$60,000 = annual lease value of \$500 plus 25% of FMV

NOTE: If the employer is providing fuel for the car, an additional 5.5 cents per mile must be added to the lease value calculation.

If the employee fails or refuses to provide personal use information, then all use of company vehicle becomes personal use.

Sick Pay

Taxable

FWH, SWH, FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met

Exempt

FICA/Medicare, FUTA and OR/WA Unemployment after the end of 6 calendar months following the calendar month the employee last worked for the employer

W-2 Boxes

- Box 1
- Box 3 (unless over base)
- Box 5
- Box 16

Third Party Sick Pay**REPORTED BY THIRD PARTY PAYER****Taxable**

FWH, SWH (if the employee requests withholding by filing a form W-4S); FICA/Medicare (reports and pays employEE's portion)

Exempt

FICA/Medicare (employER's portion), FUTA, OR/WA Unemployment, Tri-Met

REPORTED BY EMPLOYER**Taxable**

FICA/Medicare (reports and pays employER's portion), FUTA, OR/WA Unemployment, Tri-Met

Exempt

FWH, SWH, FICA/Medicare (employEE's portion)

W-2 GENERATED BY THE EMPLOYER

See **SICK PAY** above for W-2 Boxes

HOW TO REPORT THIRD PARTY SICK PAY ON FORM 941

The insurance company sends a statement monthly or quarterly to the employer showing a list of employees receiving disability benefits, the gross amount, federal, FICA, Medicare, and state taxes withheld from the employee's benefit check, and the net amount the employee received.

Payment of Employer Taxes

Upon receipt of the statement, include the employER's portion of the tax with the next payroll tax deposit due.

941 Reporting

The insurance company will report on their form 941 the employEE taxes withheld. The employER FICA and Medicare taxes are reported on the employER's form 941 as follows:

1. Assuming the employee is not over the FICA base for regular wages; add the gross amount shown on the insurance statement to line 5a – Taxable Social Security Wages, and to line 5c – Taxable Medicare Wages and Tips.

The resulting tax on lines 5a and 5c are for BOTH employEE and employER tax. Since the employEE's portion was already paid by the insurance company, the employEE portion must be reduced on line 7b, current quarter's sick pay.

**Third Party Sick Pay
(continued)**

2. On line 7b in the Sick Pay section, enter the employ^{EE}'s portion of the social security and Medicare taxes in (brackets) to denote that this is a credit. Carry the amount to line 7d on the right side of the form and deduct that amount from Total social security and Medicare taxes due on line 8.

**If You Employ Family
Members**

CORPORATION

Taxable to all payroll taxing agencies

PARTNERSHIP (Husband/wife partners ONLY, employing their OWN CHILDREN)

Taxable

FWH, SWH, FICA/Medicare IF 18 or older, Tri-Met, Workers' Comp insurance, OR/WA unemployment IF 18 or older, FUTA IF 21 or older

Exempt

FICA/Medicare up to the age of 18

FUTA up to the age of 21

OR/WA Unemployment up to age 18

SOLE PROPRIETOR (Employing SPOUSE and/or their OWN CHILDREN)

SPOUSE – Taxable

FWH, SWH, FICA/Medicare, Tri-Met, Workers' Comp Insurance

SPOUSE – Exempt

FUTA, OR/WA Unemployment

CHILDREN – Taxable

FWH, SWH, FICA/Medicare IF 18 or older, Tri-Met, Workers' Comp Insurance, FUTA IF 21 or older

CHILDREN – Exempt

FICA/Medicare up to age 18, FUTA up to age 21

OR/WA Unemployment up to age 18

**Unsubstantiated
Business Expense
Advances and Excess
Reimbursements**

Taxable

FWH, SWH, FICA/Medicare, FUTA, OR/WA Unemployment, Tri-Met

W-2 Boxes

Box 1

Box 3 (unless over base)

Box 5

Box 14 (not mandatory)

Box 16

**Unsubstantiated
Business Expense
Advances and Excess
Reimbursements
(continued)**

BUSINESS EXPENSE ADVANCES

If an employer gives employee(s) an advance amount each month for business expenses, how is this handled from the employee withholding and employer taxes, quarterly reports, and annual W-2 reporting?

- If **100%** of the advance is substantiated to the employer with receipts and documentation as to time, place and business reason for the expense, **NONE** of the advance is taxable income to the employee and there is no reporting requirement.
- If **NONE** of the advance is substantiated to the employer, then **ALL** of the advance is taxable income to the employee and subject to all employee withholding and employer taxes and reporting requirements the same as regular wages.
- If **SOME** of the advance is substantiated, but there is an excess that is **NOT** substantiated, then the **EXCESS** is taxable income to the employee and subject to all employee withholding and employer taxes and reporting requirements the same as regular wages.

Oregon Workers' Compensation Insurance

Workers' Compensation Assessment

	Employee W/H	Employer W/H
2010	1.4 cents per work hour OR flat rate of \$2.43 per month	1.4 cents per work hour OR flat rate of \$2.43 per month
2009	1.4 cents per work hour OR flat rate of \$2.43 per month	1.4 cents per work hour OR flat rate of \$2.43 per month

NOTE: Corporate officers are automatically exempt from the above assessment if they meet the following criteria:

1. They are an officer of the Corporation.
2. They are a member of the Board of Directors.
3. They are an owner of the Corporation.

Special rules apply to construction companies. Please contact your insurance carrier.

Workers' Compensation Premiums

Premiums are calculated on gross wages with rates based on job classifications and experience ratings

Premiums are based on HOURS worked.

Washington Workers' Compensation Insurance

The cost depends on the nature of your business, the number of employees, and the number of hours worked. Classifications are assigned, and each classification carries a rate that is appropriate for its potential for losses. After your Master Application is reviewed, you will receive notification of your rate as well as other information from the Department of Labor & Industries.

General Instructions

- **Compound names no longer require a hyphen.**
- **TYPE** or machine-print the forms using 12pt Courier font. Do **NOT** hand-write.
- Use **BLACK** ink. The federal pink copy of the W-2 is read by a scanner and it picks up the print best if black ink is used.
- Do **NOT** cut or separate the federal pink copy. Again, these forms are read by a scanner that scans an 8-1/2" x 11" sheet.
- Do **NOT** use dollar signs (\$) **OR** commas (,) in the amounts. Decimals are OK to separate dollar and cents.
- Do **NOT** staple the federal forms W-2 to the W-3 transmittal. The holes or tears cause the SSA scanners to jam.
- If a form is voided, **X** the **VOID** box. Do **NOT** cross-out or scribble across the form.
- ***You are no longer required to sub-total at every 41 W-2 forms***
- The State of Oregon participates in the Combined Federal/State Filing Program. The SSA will forward the W-2 information to Oregon. ***You only have to file form WR with Oregon.***

**Electronic Filing of
W-2's and Electronic
Requirements**

Employers who have 250 or more W-2's must file in electronic format unless you have been granted a waiver by the IRS.

There are three ways to file electronically:

1. **Upload a Wage Report** – Electronic reporting specifications for Form W-2 are in the SSA's EFW2 (formerly MMREF-1), a publication that can be downloaded by accessing SSA's website. The individual who would otherwise sign a Form W-3 must obtain a Personal Identification Number (PIN) by registering with SSA. The PIN is an individual ID, not a company ID. To receive a PIN, register through SSA's Business Services Online Web site at www.socialsecurity.gov/employer . The signature PIN must be entered in the Submitter Code RA record to replace the traditional paper signature.

Employer's using EFW2 should also download AccuWage and AccuW2c software. This is free software and allows EFW2 users to validate and revalidate the W-2 data, until it is error-free, on the employer's system before sending the information to the SSA. To download AccuWage or AccuW2c software go to www.socialsecurity.gov/employer/accuwage .

2. **W-2 Online** - Complete up to 20 Forms W-2 right on your computer, electronically submit them to SSA and print copies suitable for distribution your employees. No software is needed.
3. **W-2c Online** - Complete up to 5 forms W-2c on your computer, electronically submit them to SSA and print copies suitable for distribution to your employees. No software is needed.

<http://www.socialsecurity.gov/employer/how.htm>

Electronically filed Forms W-2 are due March 31, 2010.

W-2 Filing Instructions**Copy A (Federal "Pink" Copy)**

Due March 1, 2010– This copy goes with the original pink Form W-3.

Via Regular Mail - Social Security Administration
US Postal Service: Data Operations Center
Wilkes-Barre, PA 18769-0001

Via Certified Mail - Social Security Administration
US Postal Service: Data Operations Center
Wilkes-Barre, PA 18769-0002

Via IRS Approved Private - Social Security Administration
Delivery Service: Attn: W-2 Process
Data Operations Center
1150 E Mountain Drive
Wilkes-Barre, PA 18702-7997

NOTE: This pink copy should NOT be cut or separated as it is read by a scanner

Copy B, C, 2

These are EMPLOYEE copies – Due February 1, 2010

Copy D

This is the EMPLOYER'S file copy

Oregon W-2 Filing Instructions:

Effective for the calendar year 2009, all payroll service providers and businesses with 250 or more employees are required to report W-2 information electronically [[OAR 150-316.202\(3\)](#)].

The Oregon Department of Revenue will follow the same file specification for the W-2 information as the Social Security Administration.

The transmittal due date is March 31, 2010. Forms W-2 are filed electronically only; paper W-2s or other forms of media are not accepted.

Visit the [Social Security Administration's website](#) for more information about their EFW2 and EFW2C programs.

Go to http://www.oregon.gov/DOR/PERTAX/docs/iwire_specs.pdf for more information about Income and Wage Information Return E-Services (iWire).

**W-2 Filing Instructions
(continued)**

Employers that do not use a payroll service and have fewer than 250 employees may also file their W-2s electronically if they choose, but will be required to file electronically starting with 2010 forms. Small employers (less than 50 employees) may also choose to file electronically now, but will be required to starting with 2011 forms.

For questions about submitting your text file in the iWire format or formatting questions, view our specifications in the iWire Publication.

For other information about filing information returns, visit our frequently asked questions page. [W-2 Filing Instructions](#)

Note: 1099 forms are not required to be filed with Oregon Department of Revenue at this time.

[2009 iWire file specifications for Form W-2](#)

Note: At this time, W-2c's should be filed via paper.

Oregon Form W-R annual reconciliation: Due March 1, 2010

22222		Void	a Employee's social security number		For Official Use Only OMB No. 1545-0008					
b Employer identification number (EIN)			1 Wages, tips, other comp.		2 Federal income tax withheld					
c Employer's name, address, and ZIP code			3 Social security wages		4 Social security tax withheld					
			5 Medicare wages and tips		6 Medicare tax withheld					
			7 Social security tips		8 Allocated tips					
d Control number			9 Advance EIC payment		10 Dependent care benefits					
e Employee's first name and initial		Last name		Suff.	11 Nonqualified plans		12a See instructions for box 12			
f Employee's address and ZIP code			13 Statutory employee	Retirement plan	Third-party sick pay	12b				
			14 Other			12c				
								12d		
15 State	Employer's state ID number		16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name			

**W-2 Filing Instructions
(continued)****Box 8 – Allocated Tips**

Show the amount of tips allocated to the employee if the employer is a large food or beverage establishment. A large food and beverage establishment is one that provides food or beverages for consumption on the premises, where tipping is customary, and where the employer normally employs more than 10 employees on a typical business day in all food or beverage operations. The amount shown in this box is for INFORMATION purposes only – DO NOT include this amount in boxes 1, 3, 5, 7, or 16.

Box 9 – Advance EIC Payment

Show the total paid to the employee as advance earned income credit payments. Do NOT REDUCE BOX 2, Federal Income Tax Withheld, by this amount.

Advance EIC payments are paid to an employee who files a Form W-5 with his employer and is eligible by (a) earning less than: \$35,535 for 2010, single or (\$35,463 - 2009 single), \$40,545 for 2010, married filing joint (\$38,583 - 2009 married filing jointly) for the year (including spouse's income) and (b) have a child living with him or her.

The total advance EIC payments for 2010 cannot exceed \$1,830 and for 2009 cannot exceed \$1,826.

Box 10 – Dependent Care Benefits

Show the TOTAL amount of dependent care benefits under IRC Section 129 paid or incurred by the employer for the employee. Include the fair market value of employer-provided or employer-sponsored day care facilities and amounts paid or incurred in an IRC Section 125 cafeteria plan. The total should also include any amount in excess of the \$5,000 annual exclusion. Only the excess OVER the \$5,000 exclusion is to be included in boxes 1, 3, 5, and 16.

Box 11 – Nonqualified plans

The purpose of box 11 is for the SSA to determine if any portion of the amount reported in box 1 or boxes 3 and/or 5 was earned in a prior year. SSA uses this information to verify that they have properly applied the social security earnings test and paid the correct amount of benefits.

Therefore, what should be reported in this box is the amount of DISTRIBUTIONS to an employee from a nonqualified or an IRC Section 457 plan. Also report these distributions in Box 1. If there were no distributions, show the amount of DEFERRAL under a nonqualified or an IRC Section 457 plan that became taxable for social security and Medicare taxes during the year (but were for PRIOR YEAR SERVICES) because the deferred amounts were no longer subject to a substantial

**W-2 Filing Instructions
(continued)**

risk of forfeiture. Do NOT report in box 11 DEFERRALS that are included in boxes 3 and/or 5 and that are for CURRENT YEAR SERVICES. If BOTH distributions were made and deferrals are reported in boxes 3 and/or 5, DON'T complete box 11.

Box 12

NOTE: Box 12 is divided into four sections labeled 12a, 12b, 12c, and 12d. Each section contains a space for a code and an amount. Page 13 contains an explanation of these codes. Do NOT report in Box 12 any items NOT listed as code A-BB (listed below. Those "other" items may be reported in Box 14.

The IRS requires specific information to be reported in Box 12 with a corresponding letter. Some, but not all, of this information is also reported in boxes 1 and 16 (wages, tips and other compensation, and state wages, tips, etc.). There are 24 letter codes for this box. (See the question on page ___ regarding multiple W-2 forms if you have more than four codes.)

Code	Description
A	Uncollected social security tax on tips. Do not include this amount in box 4, Social Security Tax Withheld.
B	Uncollected Medicare tax on tips. Do not include this amount in box 6, Medicare Tax Withheld.
C	Taxable cost of group-term life insurance over \$50,000. Also include it in box 1, 3 (up to wage base) and 5.
D	Elective deferrals (including "catch up") to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a Section 401(k) arrangement. Check the "retirement plan" box in box 13.
E	Elective deferrals to a Section 403(b) salary reduction agreement.
F	Elective deferrals to a Section 408(k)(6) salary reduction SEP.
G	Elective and non-elective deferrals to a Section 457(b) deferred compensation plan (state and local government and tax-exempt employers).
H	Elective deferrals to a Section 501(c)(18)(d) tax-exempt organization plan.
J	Non-taxable sick pay.
K	20% excise tax on excess golden parachute payments. Also include the amount in box 2.

**W-2 Filing Instructions
(continued)**

L	Substantiated (non-taxable) portion of employee business expense using a per diem or mileage allowance in excess of the federal rate (the excess portion is reported in box 1).
M	Uncollected FICA tax on cost of group-term life insurance coverage over \$50,000 (former employees only).
N	Uncollected Medicare tax on cost of group-term life insurance coverage over \$50,000 (former employees only).
P	Excludable reimbursed moving expenses PAID DIRECTLY to the employee.
Q	Nontaxable combat pay. If you are a military employer, report any nontaxable combat pay in box 12.
R	Employer contributions to an Archer Medical Savings Account (MSA).
S	Employee salary reduction contributions to Section 408(p) SIMPLE retirement account.
T	Adoption benefits (not included in box 1) 501(c)(18)(d) tax-exempt organization. You must complete and file with your income tax return a Form 8839, Qualified Adoption Expenses, to compute any taxable and nontaxable amounts.
V	Income from the exercise of no statutory stock option(s). Include this amount in boxes 1, 3, 5, and 16.
W	Employer contributions to a Health Savings Account
Y	Deferrals under section 409A nonqualified deferred compensation plan.
Z	Income under section 409A on a nonqualified deferred compensation plan that was included in box 1.
AA	Designated Roth contributions to a section 401(k) plan. Do not use this code to report elective deferrals under Code D.
BB	Designated Roth contributions under a section 403(b) salary reduction agreement. Do not use this code to report elective deferrals under Code E.

Box 13 – Checkboxes

Check all boxes that apply.

Box 14 – Other

Box 14 is for any information an employer may wish to give an employee – such as the amount of union dues paid, nonqualified moving expenses paid, health insurance premiums deducted, etc. **Label each item. In addition, the lease value of a vehicle provided to your employee and reported in box 1 must be reported in this box.**

Overview

In December, every business receives a determination letter from the Internal Revenue Service as to whether the business falls under the monthly or semi-weekly depositing requirements.

You can calculate your tax depositing frequency by totaling up the liability on line 13 from your four quarterly 941 forms during the “look back” period (July 2008 through June 2009 for 2010; July 2007 through June 2008 for 2009). If the liability is more than \$50,000 you are a *semi-weekly depositor*. If the liability is less than \$50,000 then you are a *monthly depositor*.

How to Calculate the Tax Liability Per Pay Period

Federal withholding + 2 x FICA/Medicare withholding =
Federal Tax Deposit Due

Oregon withholding = Oregon Tax Deposit Due

Quarterly \$2,500 Rule

If an employer TOTAL quarterly tax liability will be less than \$2,500 at the END OF A QUARTER, no interim deposits are required and the liability may be paid with the tax return for quarter.

Monthly Rule

If you are designated a monthly depositor, your tax liability is due on the 15th of the following month.

New employers are always considered monthly depositors. However, if during any regular monthly deposit period the accumulated liability reaches \$100,000, then the \$100,000 rule applies (see below).

Semi-Weekly Rule

Pay dates falling on Wednesday, Thursday, and Friday are due the following Wednesday.

Pay dates falling on Saturday, Sunday, Monday, and Tuesday are due the following Friday.

If during any regular semi-weekly deposit period the accumulated liability reaches \$100,000, then the \$100,000 rule applies.

\$100,000 Rule

If the total accumulated tax reaches \$100,000 on any day during a *deposit period*, it must be deposited by the next banking day, whether an employer is a monthly or semi-weekly depositor.

Example:

- On Wednesday (a regular pay day), the payroll tax liability is \$45,000.
- The *deposit period* is pay dates on Wednesday, Thursday, or Friday.
- On Thursday, a special payroll is paid which results in a tax liability of \$60,000.
- The total tax liability for Wednesday *and* Thursday of \$105,000 is due Friday, one banking day after the liability reaches \$100,000 during the Wednesday to Friday deposit period.
- Any tax liability of less than \$100,000 from a Friday pay date would not be due until the following Wednesday.
- The Friday tax liability would NOT be included with the Wednesday, Thursday “next day” deposit; NOR would it carry over to be accumulated with the Saturday to Tuesday tax liability period for the next \$100,000 threshold.

Federal Method of Depositing

There are two methods of depositing employment taxes – Electronic Funds Transfer and the paper Federal Tax Deposit Coupon form 8109. *To avoid penalties, at least 98% of the deposit obligation must be paid when due.*

Paper Coupon – 8109

For 2010, businesses whose employment tax, excise tax and corporate tax (if any) deposits combined totaled *less than \$200,000* in the calendar year 2008, may use the paper tax deposit coupon and take it with their check to their bank.

EFTPS (Electronic Deposit)

For 2010, businesses whose employment AND corporate (if any) tax deposits combined totaled *\$200,000 or more* in the calendar year 2008, are *required* to be *enrolled* in EFTPS (Electronic Federal Tax Payment System) and to *deposit their taxes electronically*. This can be done by phone or on the internet. If you choose to use the internet, you will need to obtain an internet password. The link is available on www.eftps.gov.

**Federal Method of
Depositing (continued)**

For Example: If you have *not* been required to deposit electronically because your combined payroll, excise and corporate taxes paid in the years 2005, 2006, and 2007 individually are less than \$200,000, then you need to look at taxes paid in 2008. If 2008 taxes total more than \$200,000, then effective January 1, 2010 you are required to begin making electronic payments.

Payments must be submitted to EFTPS by 8:00 p.m. Eastern Time (5:00 p.m. Pacific Time) at least one calendar day before your payment is due.

Tax payments are due regardless of EFTPS online availability. In case of emergency payments can be made by calling the EFTPS Voice Response System at 1-800-555-3453.

NOTE: *You can't go back* – once a business is required to use EFTPS, it may never go back to using the paper coupon even if deposits fall under the \$200,000 threshold in a subsequent year.

EFTPS Enrollment

There is a year's lag between the \$200,000 threshold (look back) year and the year required to actually begin making deposits electronically. Enrollment processing can take up to 15 business days. So, you should begin the process well *before* the year you are required to begin making electronic deposits. To receive an enrollment form, call EFTPS Customer Service: 1-800-555-4478 or 1-800-945-8400 or enroll online at www.eftps.gov.

Same Day Payments

EFTPS cannot be used for same day payments. You must make arrangements with your financial institution. Make sure they offer Same Day Payments and that you are eligible to use their service.

Your financial institution will debit your bank account and wire the money to the Federal Reserve Bank for delivery to EFTPS. There is a cost associated with this transaction.

Penalty

A 10% penalty will be assessed on deposits made using the paper coupon for those businesses required to deposit electronically – *even if the deposit is made timely!*

Oregon Method of Depositing

Oregon follows the federal rules for tax deposit due dates. This means that whenever a federal deposit is due, an Oregon deposit is also due.

All payments not subject to EFTPS are sent to the Department of Revenue accompanied by a paper payment coupon Form OTC (Oregon Tax Coupon).

Effective July 1, 2001, Oregon changed their electronic depositing requirements to tie to the federal requirements. Therefore, if a business is making tax deposits using EFTPS (Electronic Federal Tax Payment System), for their federal taxes, then the Oregon payments must also be done electronically.

To get an application for EFT, call the Oregon Department of Revenue at 503-947-2017 or write to them at Oregon Department of Revenue, Information Processing Division, EFT Coordinator, PO Box 14725, Salem, OR 97307-5018. You can also go to their website at <http://egov.oregon.gov/DOR/> and download the application and instructions from their Tax Form link. Select “Combined Payroll” and then “Electronic Funds Transfer”. You have the same ACH DEBIT or ACH CREDIT options as you have with the federal system.

Federal Penalties and Interest**Late Deposit Penalties**

- 2% Deposits made 1-5 days late
- 5% Deposits made 6-15 days late
- 10% Deposits made 16 or more days late
- 10% Deposits made at an unauthorized financial institution, paid directly to the IRS, or paid with your tax returns
- 10% Amount subject to electronic deposit requirements but not deposited using EFTPS – even if timely deposited using the paper coupon at the taxpayer's bank
- 15% Amount still unpaid more than 10 days after the date of the first notice the IRS sent asking for the tax due or the day on which the taxpayer received notice and demand for immediate payment, whichever is earlier

Late Filing of Return

- 5% Of the amount shown as tax on the return, if the failure to file is not for more than one month. An additional 5% applies for each subsequent month (or fractional part of the month) during which the failure to file occurs, but may not exceed a total of 25% in the aggregate.

Failure to Pay Tax

- .5% (1/2 of 1%) of the amount shown as tax on the return, if the failure to file is not for more than one month. An additional .5% for each subsequent month (or fractional part of the month) during which the failure to file occurs, but may not exceed a total of 25% in the aggregate.

Failure to File Correct Forms W-2 by Due Date

- \$15 Per W-2 if correct information is filed within 30 days of the due date, maximum penalty \$75,000 (\$25,000 for small businesses)
- \$30 Per W-2 if correct information is filed more than 30 days after the due date but by August 1, maximum penalty \$150,000 (\$50,000 for small businesses)
- \$50 Per W-2 if correct information is filed after August 1, maximum penalty \$250,000 (\$100,000 for small businesses)

Interest (rate changes quarterly)

Federal short-term rate plus 3%. Interest is compounded daily.

Oregon Penalties and Interest**Penalties**

- 5% Failure to pay by a tax due date OR failure to file a return by the due date
- 20% An additional penalty of 20% of the tax shown on the return will be assessed if a return is not filed within three months after the due date

Interest

Interest will be charged on any remaining tax not paid by the due date. Interest rates are subject to change annually.

State-Required Implementation

Effective October 1, 1998, ALL employers are required by The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 to report newly hired and re-hired employees to the State.

Why?

The information is used by states to collect child support payments and to check for abuse in unemployment compensation, workers' compensation, and public assistance (welfare) benefit programs.

Reporting Requirements

For each newly hired or rehired employee, the employer must provide the following minimum information to the state directory:

- The employee's name, address, and social security number
- The employer's name, address and federal employer identification number

Employers must report newly hired employees, depending upon the state's specific requirement, from 7 to 20 calendar days after the date of hire. If an employer reports new hires magnetically or electronically, it must send two transmissions per calendar month, 12 to 16 days apart.

Reporting Formats/Methods

Virtually every state will accept a copy of the federal form W-4 for reporting purposes. Other methods vary from forms specifically designed for the purpose by the state; magnetic media; electronic filing; or simple typewritten or computer-generated listing.

Multi-State Employers

Employers with employees in more than one state may choose one state to report to IF they transmit reports magnetically or electronically. Otherwise, multi-state employers must report to all the states in which they have employees.

Penalties

States have the option to set a civil penalty of up to \$25 for failure to comply, with a \$500 maximum civil penalty if the failure to comply is the result of a conspiracy between employer and employee.

New Hire State Contacts

State	Phone	Fax	Reporting Time Frame
AL	(334) 353-9219	(334) 242-0967	7 days
AK	(907) 269-6089	(907) 787-3197	20 days
AZ	(888) 282-2064	(888) 282-0502	20 days
AR	(800) 259-2095	(800) 259-3562	20 days
CA	(916) 657-0529	(916) 255-0951	20 days
CO	(800) 696-1468	(303) 297-2595	20 days
CT	(860) 263-6310	(800) 816-1108	20 days
DE	(302) 395-6632	(302) 395-6729	20 days
DC	(877) 846-9523	(877) 892-6388	20 days
FL	(888) 854-4791	(888) 854-4762	20 days
GA	(888) 541-0469	(888) 541-0521	10 days
HI	(808) 692-7029	(808) 692-7001	20 days
ID	(800) 627-3880	(208) 332-7411	20 days
IL	(800) 327-4473	(217) 557-1947	20 days
IN	(866) 879-0198	(800) 408-1388	20 days
IA	(515) 281-5331	(800) 759-5881	15 days
KS	(888) 219-7801	(888) 219-7798	20 days
KY	(800) 817-2262	(800) 817-0099	20 days
LA	(888) 223-1461	(888) 223-1462	20 days
ME	(207) 624-7880	(207) 287-6882	7 days
MD	(410) 281-6000	(888) 657-3534	20 days
MA	(617) 626-4154	(617) 376-3262	14 days
MI	(800) 524-9846	(877) 318-1659	20 days
MN	(800) 672-4473	(800) 692-4473	20 days
MS	(800) 241-1330	(800) 937-8668	15 days
MO	(800) 585-9234	(573) 526-8079	20 days
MT	(888) 866-0327	(888) 272-1990	20 days
NE	(888) 256-0293	(866) 808-2007	20 days
NV	(888) 639-7241	(775) 684-8681	20 days
NH	(888) 803-4485	(888) 783-3598	20 days
NJ	(888) 624-6339	(800) 304-4901	20 days
NM	(888) 878-1607	(888) 878-1614	20 days
NY	(800) 972-1233	(518) 869-3318	20 days
NC	(888) 514-4568	(866) 257-7005	20 days
ND	(701) 328-3582	(701) 328-5497	20 days
OH	(888) 872-1490	(888) 872-1611	20 days
OK	(800) 317-3785	(800) 317-3786	20 days
OR	(503) 378-2868	(503) 378-2863	20 days
PA	(888) 724-4737	(717) 657-4473	20 days
RI	(888) 870-6461	(888) 430-6907	14 days
SC	(888) 454-5294	(803) 898-9100	20 days
SD	(888) 827-6078	(888) 835-8659	20 days
TN	(888) 715-2280	(877) 505-4761	20 days
TX	(800) 850-6442	(800) 732-5015	20 days
UT	(800) 222-2857	(801) 526-4319	20 days
VT	(802) 241-2915	(802) 828-4286	20 days
VA	(800) 979-9014	(800) 688-2680	20 days
WA	(800) 562-0479	(800) 782-0624	20 days
WV	(877) 625-4669	(877) 625-4675	14 days
WI	(888) 300-4473	(800-277-8075	20 days
WY	(800) 970-9258	(800) 921-9651	20 days

W-4 Reporting

Employers are no longer required to submit any W-4 forms. However, Forms W-4 are still subject to review and can be requested by the IRS.

A W-4 claiming exemption is valid for only one calendar year. An employee must submit a new Form W-4 by February 15th. If the employee does not give you a new Form W-4, withhold tax as if the employee is single and zero.

When Can an Employee Claim Exempt from Withholding on Form W-4?

The 2010 Form W-4 has been issue.

Exemption from withholding was originally targeted for students working during the summer when school was out. Most of these students only filed tax returns in order to get a refund of federal and/or state withheld taxes because they had ZERO tax liability.

An employee CANNOT claim exemption from withholding if (1) the employee's income exceeds \$950 and includes more than \$300 of unearned income (i.e., interest and dividends) AND (2) another person can claim the employee as a dependent on their tax return.

Note that line 7 on the front of the W-4 form (which is signed by the employee under penalty of perjury) states:

I claim exemption from withholding for 2010, and I certify that I meet **both** of the following conditions for exemption:

- Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability **and**
- This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability.

May an Employer Give an Employee More than One W-2 Form?

Yes. With the numerous items the IRS now requires to be reported on a W-2 form, an employee can be given more than one W-2 form. In fact, a maximum of four items are to be reported in box 12. Any other information must be put on a second W-2 form.

Do not repeat on the second W-2 any wage or withholding information shown on the first W-2.

Undeliverable W-2's

W-2 forms returned by the Post Office as undeliverable must be kept for four years from the date returned.

**How Should a W-2
Already Filed with the
SSA be Corrected?**

File a W-2c and the related W-3c Transmittal. Consider waiting to file your original W-2's with the SSA until their respective due dates. By that time your employees will have had a chance to look over their W-2's and bring any discrepancies to your attention. *Just don't forget to file them by their due date!*

**May an Employer
Charge a Fee to
Duplicate Copies of
Form W-2?**

Under and IRS Service Center Advice (SCA), the IRS concluded that employers may not collect a fee for supplying an *original or corrected* W-2. However, a nominal administrative fee (i.e. \$5.00) maybe charged for supplying duplicate copies. The IRS stated that a fee may be charged for furnishing additional copies of the forms because once an employer has timely furnished a correct W-2 it has met its statutory obligation.

**Multiple Employers
and FICA Withholding**

Does an employer have to withhold FICA from an employee who has already earned over the FICA base while employed with a previous employer and that employer has withheld the maximum FICA tax from the employee?

YES!!! The new employer must withhold FICA taxes

The employee's excess FICA withheld will be applied against their federal income tax liability when filing their Form 1040 and any excess will be refunded to the employee.

What happens to the employer's excess FICA? The government keeps it!

**Withholding FICA From
Employees Receiving
Social Security
Benefits**

Employees who are working while receiving social security benefits frequently ask "Does my employer still have to withhold FICA/Medicare taxes from my wages if I am currently receiving social security benefits?"

The answer is YES, the employer must withhold FICA/Medicare taxes.

The social security administration will periodically adjust a recipient's benefits for the additional earnings reported to the SSA annually on the employee's W-2 form.

How to “Gross Up” a Bonus or a Non-Cash Taxable Benefit

All cash remuneration, including a bonus, is required to have federal, state and FICA/Medicare taxes withheld. The same applies to non-cash taxable fringe benefits, except in some cases where only FICA/Medicare are required to be withheld.

If the employer wants the employee to have a specific net bonus amount or the employer needs to calculate withholding on a non-taxable fringe benefit which is not added to the regular paycheck, how is this done?

The employer can’t simply calculate the taxes on the net amount because the IRS regulations state that *taxes* paid by an employer for an employee is *additional income to the employee*.

To “gross up” the net bonus or fringe benefit to compute the taxes, following this formula:

$$\frac{\text{Amount of original pay}}{(100\% - \text{applicable tax rates})} = \text{Gross Wages} \div \text{divisor factor}$$

Example

The employer wants to give the employee a net bonus of \$500.

- Where “amount of original pay” = \$500
- Where “applicable tax rate” = 41.65% (25% federal + 9% state + 6.2% FICA + 1.45% Medicare)
- Where “divisor factor” = 58.35% (100% minus applicable tax rate of 41.65%)

The calculation would look like this:

$$\frac{\$500}{(100\% - 41.65\%) = 58.35\%} = \$859.90 \text{ Gross Wages}$$

To verify the \$859.90 Gross Wage – apply the tax rates for each withholding tax and deduct from the gross to arrive at the net of \$500.

Gross wages	\$ 859.90
Federal w/h – 25%	(214.22)
FICA – 6.2%	(53.13)
Medicare – 1.45%	(12.43)
OR w/h – 9%	(77.12)
Net Pay	<u><u>\$ 500.00</u></u>

Calculate and proof non-cash taxable fringe benefits the same except for the “applicable tax rate” may change as some fringe benefits are only taxable for FICA/Medicare.

Withholding on Cash Bonuses

The law states that all taxes must be withheld on employee bonuses. Taxes withheld can be calculated using one of the following three methods. It is permissible to calculate the withholding using all three methods and then use the one with the least amount of tax withheld.

1. Use the flat supplemental payment percentages (25% federal, 6.2% FICA, 1.45% Medicare, 9% Oregon).
2. Include the bonus in the regular payroll and calculate taxes based upon the pay period tables (or percentages if using the percentage method).
3. Aggregating the bonus in with the three-month period just prior to paying the bonus, calculating taxes on the whole, then subtracting what had already been deducted on the wages paid in the three-month period and deduct what is left over from the bonus.

Casual Labor

Cash remuneration paid for service *not in the course of an employer's trade or business* – commonly referred to as “casual labor” – is exempt from federal withholding and FUTA *unless* the cash paid is \$50 or more in a calendar quarter. Casual labor is exempt from FICA and Medicare *unless* the cash paid is \$100 or more in a calendar quarter.

If the services performed *are* part of an employer's trade or business, then there is no exempt limitation and that person is considered an employee subject to all payroll taxes.

Tax Due Dates Falling on Saturday, Sunday or Legal Holidays

If a tax due date falls on Saturday or Sunday, the tax return will be considered timely paid or filed if performed on the next succeeding day which is not a Saturday, Sunday, or legal holiday. For purposes of Regulation Section 301.7503-1, the term “legal holiday” includes the legal holidays in the District of Columbia. If the legal holiday falls on a Sunday, the next day is the “legal holiday”. If the legal holiday falls on a Saturday, the proceeding Friday is the “legal holiday”.

Year 2009 Legal Holidays

January 1 – New Years Day	July 5 – Independence Day
January 18 – Martin Luther King Day	September 6 – Labor Day
February 15 – Presidents Day	October 11 – Columbus Day
April 16 – District of Columbia Emancipation Day	November 11 – Veterans' Day
May 31 – Memorial Day	November 25 – Thanksgiving Day
	December 24 – Christmas Day

**How to Report Moving
Expense
Reimbursements****Qualified Moving Expenses**

Qualified moving expenses are now severely limited to:

1. The reasonable expense of moving household goods and personal effects.
2. Travel (including lodging but NOT meals) from the employee's old residence to the new residence.

The distance between the employee's new workplace and his or her old residence must be at least 50 miles farther than the distance between the employee's old workplace and his or her old residence.

The qualified moving expenses are exempt from all payroll taxes and should NOT be included on an employee's W-2 as "other compensation".

Only amounts paid directly to the employee should be reported in Box 12, with a Code P.

Amount paid directly by the employer to a third party (i.e., trucking company used to move household goods and personal effects) are NOT to be included in Box 12.

Non-qualified Moving Expenses

Pre-move house hunting trips, temporary living expenses in the general area of the new workplace, selling/buying residence expenses, any meals connected with the relocation, etc., are to be included in gross income as compensation for services under Code Sec. 82 and are subject to all payroll taxes and are to be reported on the employee's W-2 form. The employee will not be able to deduct non-qualified moving expenses from their personal income tax returns.

Expenses must be substantiated to the employer by the employee so that the employer can break out qualified expenses from non-qualified expenses for both taxability and preparing the annual Form W-2.

The employer is no longer required to give the employee Form 4782, Moving Expense Information, as the IRS has discontinued the form.

Final Paychecks

When an employee quits without notice, all wages earned are due within five days – excluding Saturdays, Sundays, and holidays – or at the next regular payday, whichever event occurs first.

When an employee quits and has given notice of 48 hours or more, all wages are due immediately.

If employment terminates on a Saturday, Sunday, or holiday, “immediately” is defined as no later than the end of the first business day after termination.

When an employee is discharged, or terminated by mutual agreement, all wages are due immediately.

Qualified Transportation Fringe Benefits

Within limits, qualified transportation fringe benefits are excludable from the gross income of participating employees as a Section 132 Fringe Benefit. A qualified fringe benefit includes:

- Transportation in a commuter highway vehicle
- Transit passes
- Qualified parking

For tax years beginning after 1997, the Transportation Equity Act for the 21st Century (H.R. 2400) contains a provision allowing the election of taxable cash in lieu of *any* of the nontaxable qualified transportation benefits.

Qualified parking includes access to parking provided to an employee on or near the employer’s business premises. It also includes parking premises near a location from which an employee commutes to work.

Employers who provide qualified parking for their employees are permitted to offer employees a choice between parking and its cash equivalent without loss of the \$230 per month (2010 and 2009) employee exclusion for employer-provided parking. The limit on transit passes and van pool exclusion is \$230 per month (2010 and 2009). The amount of cash offered is included in an employee’s gross income if the employee chooses the cash option.

The Act also allows employers to offer these benefits on a pre-tax basis, in the same manner as under a Section 125 plan. However, qualified transportation fringes cannot be part of a Section 125 Cafeteria Plan. There is *no* “use it or lose it” requirement and qualified transportation fringes are not subject to the nondiscrimination rule. All employees are eligible to participate *except* S-corporation shareholders and partners. C-corporation shareholders *are* eligible.

Federal ID Number

Employers of domestic employees are required to have a federal ID number. Use Form SS-4 to apply for the number. The SS-4 can be faxed to the IRS at 1-800-620-7115 and a number will be issued within four workdays. You may also apply for a federal ID online at www.eftps.gov, *Enrollment* and receive an immediate ID number.

Federal Rules for Withholding and Tax Reporting
FICA and Medicare

Domestic service in a private home is taxable income to the employee if paid \$1,700 or more in cash annually for 2010 and 2009. Employees under the age of 18 are exempt and not subject to withholding no matter how much they earn.

Federal Withholding

Exempt unless *both* employer and employee voluntarily agree.

FUTA

Taxable if employer paid cash wages of \$1,000 or more in any calendar quarter in the current or preceding year.

Report Form and Deposit Rules

Report annually on employer's individual income tax Form 1040 on Schedule H.

No interim tax deposits are required. Taxes owing are due with the annual Form 1040 on April 15 or extended due date. Estimated tax payments must be sufficient to cover these additional taxes; otherwise, underpayment penalties may apply.

State Rules for Withholding and Tax Reporting

Wages are reported annually on Form OA and taxes are remitted with that annual report due February 1, 2010.

OREGON

State Withholding: Same rules as federal withholding

State Unemployment: Taxable if employer paid cash wages of \$1,000 or more per quarter

Tri-Met Transit Tax: Exempt

Workers' Compensation: No coverage is required

**State Rules for
Withholding and Tax
Reporting (continued)**
WASHINGTON

State Unemployment: Same as Oregon

Workers' Compensation: Exempt unless the employer has two or more employees working 40 or more hours per week regularly

W-2 Forms

- Recipient's copy due February 1, 2010
- Federal copy is due March 1, 2010 to Social Security Administration
- Oregon automatically gets a copy from the SSA

**Domestic Service
Defined**

The FLSA does not define the term "domestic service," except to specifically exclude casual babysitters and companies to the aged or infirm.

However, the Senate committee looked to regulations under the Social Security Act for the meaning. According to the committee, domestic service "relates to services of a household nature performed by an employee in or about a private home of the person by whom he or she is employed." The Secretary of Labor, by regulation, has determined that the term "domestic service employment" includes employees such as:

- | | | |
|-------------------|----------------|----------------------------|
| ■ Babysitters* | ■ Drivers | ■ Nannies |
| ■ Caretakers | ■ Handymen | ■ Private Nurses |
| ■ Cleaning People | ■ Health Aides | ■ Yard Workers |
| ■ Companions* | ■ Housekeepers | ■ Similar Domestic Workers |

*Employed on other than a casual basis.

Licensed practical nurses and registered nurses engaged in private nursing are independent contracts and not subjected to federal and state income tax withholding, FICA, FUTA, SUI. They receive a Form 1099-MISC.

**When Do Minimum
Wage and Overtime
Requirements Apply?**

Domestic service employees in private households must be paid the minimum wage so long as they are employed in one or more homes for an aggregate total of more than 8 hours in any workweek, or if they earn “wages” of at least \$1,700 for 2010 and 200. However, they need not be paid overtime if they are live-in employees. Domestics, except for those stated in the previous section, who do NOT live in the household, must be paid overtime pay, as well as the minimum wage.

Casual babysitters or companions for the aged or infirm are completely exempt from both minimum wage and overtime pay requirements.

Casual babysitters are persons whose employment is “irregular and intermittent” and is not performed by an individual whose vocation is babysitting.

Companion services provide fellowship, care and protection for persons of advanced age or physical or mental infirmity who cannot care for themselves.

Forms

If you need W-2 or 1099 forms, call our office and tell the receptionist you are requesting W-2 or 1099 forms. You will be connected with an administrative assistant who will take your order. You need to know the specific type of forms you want – W-2 or 1099-MISC (please don't just ask for 1099 forms as there are many different 1099 forms). You also need to specify whether the forms are required for *laser printers* (single sheets) or for *dot matrix printers/ typewriter* (carbonless 4-6 part forms). See the instructions below on how to order the forms you will need.

W-2 Forms

- The continuous, carbonless W-2 forms are six-part, single wide – two forms per page.
- The laser printer forms come in two sets:
 - The employee's copy are "three-up" – meaning an 8½ x 11 sheet of paper is divided into three sections for the employee's federal, state, and file copies with the required IRS information printed on the back of the W-2 forms. In other words, you will need one sheet per employee.
 - The SSA "pink" copy has two forms per page.

Your laser forms should have a different number of sheets needed for employee purposes than for SSA purposes. Example: Your company has 10 employees – you will need 10 sheets of the "three-up" forms (one for each employee) but only 5 sheets for SSA (one for every two employees). Please make an allowance for mistakes when calculating the number of forms needed.

NOTE: This means you must print the W-2 forms twice and then make copies of the sets for your files.

1099 Forms

- The continuous carbonless 1099 forms are two part and single wide. 1099-MISC and 1099-R are *two forms per page*. All other 1099 forms are *three forms per page* (INT, DIV, 1098, etc.)
- The laser printer forms come in two sets. The regulation pink copy for the IRS and the recipient's copy.
 - The 1099-MISC has two form per page for both sets
 - The 1099-R is two per page for the IRS copy and a "four-up" set for the recipient – federal, state, local, and recipient's copy. Again, this means a different number of sheets are needed for employee purposes than for IRS purposes. You must print the 1099 forms twice and then make copies of the sets for your files. All other 1099 forms have three forms per page for both sets (INT, DIV, 1098, etc.)

Don't forget to order a 1096 transmittal form for each type of 1099 form.

Guidelines to Record Retention

The suggested retention periods begin at the end of the fiscal year during which the document was created. For records supporting tax returns, the retention period begins on the filing date of the return or its due date (with extensions), whichever is later.

*Items where an * is listed after the holding period, indicates that retention periods begin AFTER terminations, expirations, disposals, etc.*

Items with a “P” beside them should be a permanent record.

ACCOUNTING

Auditors report	P
Bank deposit slips	3
Bank reconciliation	3
Bank statements	3
Bill of lading	3
Budgets and projections	2
Cancelled check	7
Commission reports	6
Contracts:	
Personal property	6*
Real property	10*
Cost accounting records	5
Credit memos	3
Delivery receipts	3
Depreciation and fixed asset records	7*
Dividend register	P
Employee expense reports	3
Employee payroll records (W-2, W-3, earnings)	4*
Equipment leases	6*
Financial statements:	
Annual	P
Interim	3
Inventory work orders and requisitions	3
Inventory records	3*
Invoices:	
Merchandise purchases	3
Sales & cash register tapes	3
Journals	
Cash disbursements	10
Cash receipts	10
General	P
Payroll	10
Pension & profit sharing	P
Purchases	10
Royalty	10
Sales & cash register	10
Land options	10*
Ledgers:	

General	P
Subsidiary (AP, AR, etc.)	7
ACCOUNTING (continued)	
Pension/profit sharing:	
Actuarial report	P
Financial statements	P
IRS approval letter	P
Plan and trust agreements	P
Petty cash records	3
Production and sales reports	3
Purchase order copies	3
Receiving reports	3
Repair receipts:	
Building	7
Equipment	5
Security/Brokerage slips	7*
Shipping tickets	5
Time cards	3
Uncollectible account records	7
Year-end journal entries	P

CORPORATE

Articles of incorporation	P
Bond records	P
Capital stock records	P
Contracts & agreements:	
Employment	P
Franchise	10*
Government construct	P
Labor	P
Partnership	P
Vendor	7
Copyrights, patents and trademark registration	P
Correspondence:	
Accounting	5
Credit and collection	7
General	3
Legal	P
Personnel	7*
Deeds/titles	P
Easements	20

Fidelity bonds	3*
Licenses	1*
Minutes	P
Personnel files	4*

CORPORATE

Property:	
Appraisals	P
Plans & specifications	P
Building permits	P

INSURANCE

Accident reports	7
Fire damage reports	6
Fire inspection reports	6
Group disability records	8
Group disability claims	10*
Insurance policies	6*
Safety records	6
Settled insurance claims	3*

TAXES

Tax returns	
Estate	P
Gift	P
Income	P
Payroll	4
Pension/profit sharing	P
Personal property	10
Sales and use	P
Receipts for tax deductible expenditures if no IRS assessment made	6
Stock market annual statements	P
Support for stock basis	P
Records of non-deductible IRA contributions	P
Death certificates, after estate is settled	P
Military records for possible Veterans' benefits	P

Note: The information for record retention is from the IRS web site. You may wish to hold some information for a longer period of time for state purposes.

**Payroll Resource
Persons in GMCO
Office**

If you have a specific question regarding your payroll taxes, W-2 or 1099 forms, please call:

Norma Johnson
503-445-3357
njohnson@gmco.com (e-mail)

**Other Resources and
Helpful Websites**

Verifying Social Security Numbers (up to 5 numbers)

800-772-6070
7am to 7pm ET

Limited Access Websites (fee charged for full service)

- www.cch.com Commerce Clearing House – Payroll research, excellent reference manuals from their online stores
- www.bna.com Bureau of National Affairs – Payroll research
- www.americanpayroll.org American Payroll Association

Free Access Websites

- www.taxsites.com Tax and Accounting Sites Directory – A wealth of federal and state tax and accounting information including links by topic to the related IRS publication
- www.irs.gov Internal Revenue Service – IRS news, publications and forms
- www.eftps.gov Internal Revenue Service – Electronic tax deposits
- www.ssa.gov Social Security Administration
- www.egov.oregon.gov/DOR/ Oregon Department of Revenue – Oregon payroll taxes, property taxes, transit taxes, Oregon Statutes, etc.
- www.boli.state.or.us Oregon Bureau of Labor and Industries – Wage and hour laws
- www.saif.com SAIF Corporation – Oregon workers’ compensation insurance
- www.access.wa.gov State of Washington

**Suggested
Publications for
Reference**

Publication 15	Circular E, Employer's Tax Guide
Publication 15-B	Employer's Tax Guide to Fringe Benefits
Publication 505	Tax Withholding and Estimated Tax
Publication 525	Taxable and Non Taxable Income
Publication 553	Highlights of Tax Changes
Publication 596	Earned Income Credit
Publication 910	Guide to Free Tax Services
Publication 926	Household Employer's Tax Guide

Circular 230 Disclosure

Any advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on any taxpayer under the Internal Revenue Code or applicable state or local law provisions.