



QUICK REFERENCE GUIDE
for
2011 - 2012
PAYROLL TAX

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W-2 Filing in Oregon

Effective 2011, Oregon will require electronic filing of W-2's to report wages for personal income tax purposes. The new requirement will apply to all businesses and all payroll service providers. The filing due date will be the same as the federal (March 31).

Minimum Wage**Oregon**

Effective January 1, 2012, Oregon's minimum wage will increase from \$8.50 an hour to \$8.80 an hour. Minimum wage increase is effective for hours worked in 2012.

Washington

Effective January 1, 2012, Washington's minimum wage will increase from \$8.67 an hour to \$9.04 an hour. Minimum wage increase is effective for hours worked in 2012.

Federal

The federal minimum wage remains at \$7.25 an hour.

2012 Withholding tables**Federal**

The new tables are not yet available on the IRS website. The IRS will be issuing guidance as well as revised employment tax forms and instructions. Please check their website at www.irs.gov.

Oregon

New withholding tables have been published effective January 1, 2012. They are available at www.oregon.gov/dor/business.

Hire Act- New Hire Retention Credit

The 6.2% payroll tax exemption for the employer's share of FICA on qualifying new hires expired as of December 31, 2010. However, if you have a qualifying individual employee and received Form W-11 from them, the company may qualify for the new hire retention credit.

If a qualified employee, as defined for purposes of the payroll tax exemption, remains an employee for at least 52 consecutive weeks AND whose wages for the last 26 weeks equals at least 80% of the wages paid for the first 26 weeks, you may have a qualifying employee. The amount of credit to the employer is the lesser of \$1,000 or 6.2% of wages.

Advanced Payment of Earned Income Credit (EIC)

The option of receiving advance payroll payments of EIC expired as of December 31, 2010. Qualifying individuals of the earned income credit will receive the credit when they file their 2011 income tax return.

FUTA Tax Rate

The 2011 FUTA rate was 6.2% through June 30, 2011. As of June 30, 2011 the FUTA surcharge of 0.2% expired and the rate decreased to 6.0% starting July 1, 2011. The 2011 Form 940 is available at www.irs.gov.

W-2 Reporting of the Cost of Coverage of Group Health Insurance

IRS Notice 2011-28 made the requirement for employers to report the cost of coverage under an employer-sponsored group health plan on each employee's W-2 optional for 2011. Notice 2011-28 also provided further relief by making this requirement optional for smaller employers in calendar year 2012.

In addition there is transition relief for specific categories of employers, one being employers filing fewer than 250 Forms W-2. Please refer to Notice 2011-28 and the IRS website, *frequently asked questions*, related to Employer-Provided Health Coverage Informational Reporting Requirements.

Work Opportunity Credit

The work opportunity credit has been expanded to provide employers with new incentives to hire certain unemployed veterans. This was signed into law on November 21, 2011, named VOW to Hire Heroes Act of 2011.

Businesses claim the credit as part of the general business credit and tax-exempt organizations claim it against their payroll tax liability.

The credit is available for eligible unemployed veterans who begin work on or after November 22, 2011 and before January 1, 2013.

Work Opportunity Tax Credit applies to targeted group of employers. The employee must be certified by your state Employment Security Agency. The paperwork must be submitted no later than 28 calendar days after the new hire begins work.

See IRS Form 8850 for further explanation.

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.

Employer Change of Address

Beginning in 2012, employers must use new Form 8822-B, Change of Address - Business, for any address change.

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 January 31st of the following year.

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

Depositing Federal Taxes

Effective January 1, 2011 you must use electronic funds transfer to make all federal tax deposits. Form 8109-B, Federal Tax Deposit Coupon can no longer be used after December 31, 2010.

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

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

Depositing Oregon Taxes

The Oregon Department of Revenue has developed a program to accept state combined payroll tax payments through Electronic Funds Transfer (EFT).

If you are mandated to pay your Federal taxes electronically using EFTPS, you must make your Oregon tax deposits through EFT.

Oregon has a new reporting system called Oregon Payroll Reporting System. Oregon Tax Employer Reporting (OTTER) will be moved to a web-based application and Secure Employer Tax Reporting (SETRON) will be replaced. The new system will begin sometime in 2012.

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.

The termination period has been extended to include involuntary terminations from September 1, 2008 through May 31, 2010. It has not been extended beyond May 31, 2010.

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Social Security

2010 Base & Rates

	Base	EE Rate	ER Rate	Maximum W/H
2012 FICA	\$110,100	4.20% (.0420)	6.20% (.0620)	Currently unknown

The Temporary Payroll Tax Cut Continuation Act of 2011 temporarily extends the 2 percentage point payroll tax cut for employees through February 29, 2012.

2011 FICA	\$106,800	4.20% (.0420)	6.20% (.0620)	\$4,485.60
2012/2011 Medicare	Unlimited	1.45% (.0145)	1.45% (.0145)	Unlimited

Total Self-Employment Rate

13.3% (.133) – FICA and Medicare Base and Rate split the same as above for 2012, with 2 month extension.

13.3% (.133) – FICA and Medicare Base and Rate split the same as above for 2011.

Maximum Earnings without Losing Social Security Benefits*

Age Group	2012 Limitation	2011 Limitation
Under full Retirement age	\$14,640 annual \$1,220/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 \$38,880 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 2012 are:

YEAR OF BIRTH	FULL RETIREMENT AGE
1943-1954	66
1955	66 and 2 Months
1956	66 and 4 Months
1957	66 and 6 Months
1958	66 and 8 Months
1959	66 and 10 Months
1960 and Later	67

Social Security
(Continued)

Standard Medicare Part B Premium

January 1, 2012: \$99.90/mo
January 1, 2011: \$115.40/mo

In 2012 higher income beneficiaries will pay a monthly premium of \$139.90 to \$319.70, depending on their adjusted gross income. The IRS will send a letter explaining new premium and how they made their determination.

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.

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

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>

Cost of Living Adjustment (COLA)	January 1, 2012:	3.6%
	January 1, 2011:	0.0%
	January 1, 2010:	0.0%

Minimum Wage	Rate	Effective Date
	Federal	\$7.25 per hour
Oregon	\$8.80 per hour	January 1, 2012
Washington	\$9.04 per hour	January 1, 2012

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

Standard Deduction and Personal Exemption	2012	2011
	Federal	Federal
Standard Deduction		
Married filing jointly	11,900	11,600
Single	5,950	5,800
Personal Exemption	3,800	3,700

Federal Transportation Limits	2012	2011
	Fringe benefit – employer provided passes and commuter vehicles	\$125/mo
	(Extended as of December 17, 2010)	
Fringe benefit – qualified parking	\$240/mo	\$230/mo
Fringe benefit – bicycle (multiplied by the number of qualified bicycle commuting months during that year.)	\$20/mo	\$20/mo

Transit Payroll Taxes

Location	Rate	Comments
Oregon Tri-Met (Multnomah, Clackamas, Washington counties)	2012 - .7018% (.007018) 2011 - .6918% (.006918)	On all wages earned in the Tri-Met taxing boundaries
Oregon – Lane County	2012 - .6800% (.0068) 2011 - .6700% (.0067)	On all wages earned in Lane County taxing boundary
Oregon – Other Cities		
Canby (cat)	2012/11 - .6% (.006)	Forms may be found on the respective websites
Sandy	2012/11 - .6% (.006)	
Molalla (sctd)	2012/11 - .5% (.005)	
Wilsonville (SMART)	2012/11 - .5% (.005)	
Washington		
City of Vancouver – Business License Fee Surcharge		An annual fee of \$50 per employee, to be paid in addition to the annual Business License base fee.

Unemployment Taxes

Federal Unemployment

2012 Base	Rate
\$7,000	6.0% (.060) (maximum state credit 5.4%, net .6%)
2011 Base	Rate
\$ 7,000	6.2% (.062) (maximum state credit 5.4%, net .8%) <i>For wages paid prior to July 1, 2011</i>
\$ 7,000	6.0% (.060) (maximum state credit 5.4%, net .6%) <i>For wages paid after June 30, 2011</i>

In 2011 there were 21 credit reduction states, which limit the amount of credit allowed toward the FUTA rate. For 2011, OR and WA were ***not*** credit reduction states.

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

Oregon Unemployment

Year	Base	Rate
2012	\$33,000	2.20% (.0220) to 5.4% (.054)
2011	\$32,300	2.20% (.0220) to 5.4% (.054)

Special payroll tax: 0.09% (.0009) for all four quarters of 2012.

Special payroll tax 0.12% (.0012) for the 1st quarter of 2011; 0.09% (.0009) for last three quarters of 2011.

Base rate for new employer:

2012	3.3% (0.033)
2011	3.3% (0.033)

Unemployment Taxes
(Continued)

Washington Unemployment

Year	Base	Rate
2012	\$38,200	0.14% (.0014) to 5.820% (.05820)
2011	\$37,300	1.00% (.0100) to 6.934% (.06934)

All States Unemployment Wage Bases

State	2012 Wage Base	2011 Wage Base	State	2012 Wage Base	2011 Wage Base
AL	\$8,000	\$8,000	MT	\$27,000	\$26,300
AK	35,800	34,600	NE	9,000	9,000
AZ	7,000	7,000	NV	26,400	26,600
AR	12,000	12,000	NH	14,000	12,000
CA	7,000	7,000	NJ	30,300	29,600
CO	11,000	10,000	NM	22,400	21,900
CT	15,000	15,000	NY	8,500	8,500
DE	10,500	10,500	NC	20,400	19,700
DC	9,000	9,000	ND	27,900	25,500
FL	8,500	7,000	OH	9,000	9,000
GA	8,500	8,500	OK	19,100	18,600
HI	38,800	34,200	OR	33,000	32,300
ID	34,100	33,300	PA	8,000	8,000
IL	13,560	12,740	PR	7,000	7,000
IN	9,500	9,500	RI	19,600	19,000
IA	25,300	24,700	SC	12,000	10,000
KS	8,000	8,000	SD	12,000	11,000
KY	9,000	8,000	TN	9,000	9,000
LA	7,700	7,700	TX	9,000	9,000
ME	12,000	12,000	UT	29,500	28,600
MD	8,500	8,500	VT	16000	13,000
MA	14,000	14,000	VI	23,700	22,600
MI	9,500	9,000	VA	8,000	8,000
MN	28,000	27,000	WA	38,200	37,300
MS	14,000	14,000	WV	12,000	12,000
MO	13,000	13,000	WI	13,000	13,000
			WY	23,000	22,300

Withholding on Bonus and Supplemental Payments

Federal:	25.00%	(2012 and 2011)
FICA:	4.20%	(for January & February 2012)
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 2012 and 2011

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, 2012: 55.5 cents per mile for all business use miles

Effective January 1, 2011- June 30, 2011: 50 cents per mile for all business use miles

Effective July 1, 2011- December 31, 2011: 55.5 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

	2012	2011	2010
401(k) Elective Deferrals	17,000	16,500	16,500
401(k) Catch-up Contributions	5,500	5,500	5,500
403(b) Elective Deferrals	17,000	16,500	16,500
Annual Compensation Limit	250,000	245,000	245,000
408(k) SEP	550	550	550
408(k) SEP Compensation	250,000	245,000	245,000
408(p) SIMPLE Plans	11,500	11,500	11,500
408(p) Catch-up Contributions	2,500	2,500	2,500
Highly Compensated Employees	115,000	110,000	110,000

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)

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.
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?

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, HB 2007 does not require any employee-benefit plan that is subject to federal ERISA regulation to extend any benefits to same-gender domestic partners. It is likely to remain optional.

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
Taxable

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

Exempt

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 employ^{EE}'s portion)

Exempt

FICA/Medicare (employ^{ER}'s portion), FUTA, OR/WA Unemployment, Tri-Met

REPORTED BY EMPLOYER**Taxable**

FICA/Medicare (reports and pays employ^{ER}'s portion), FUTA, OR/WA Unemployment, Tri-Met

Exempt

FWH, SWH, FICA/Medicare (employ^{EE}'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 employ^{ER}'s portion of the tax with the next payroll tax deposit due.

941 Reporting

The insurance company will report on their form 941 the employ^{EE} taxes withheld. The employ^{ER} FICA and Medicare taxes are reported on the employ^{ER}'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 employ^{EE} and employ^{ER} tax. Since the employ^{EE}'s portion was already paid by the insurance company, the employ^{EE} portion must be reduced on line 8, current quarter's sick pay.

Third Party Sick Pay
(continued)

2. On line 8 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. Deduct that amount from Total social security and Medicare taxes due on line 10.

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
2012 and 2011	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 a minimum 10% 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

Washington Workers' Compensation Insurance

Premiums are based on HOURS worked.

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 8-½” x 11” sheet.
- Do **NOT** use dollar signs (\$) **OR** commas (,) in the amounts.
- Do **NOT** omit decimals 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.

State of Oregon

Effective for calendar year 2011 all employers will be required to file their W-2's electronically. The due date for filing W-2's with the Oregon Department of Revenue is March 31, 2012.

For questions regarding filing your W-2's with the Oregon Department of Revenue; e-mail them at iwire.dor@state.or.us or visit their website www.oregon.gov/dor/bus/does/iwire.specs.pdf.

Earned Income Credit (EIC) Notice

Employers must notify employees who have no income tax withheld that they may be able to claim an income tax refund because of the EIC. This can be done by using the official IRS Form W-2 with the EIC notice on the back of Copy B or a substitute Form W-2 with the same statement.

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, 2012.

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

Due February 29, 2012– 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 January 31, 2012

Copy D

This is the EMPLOYER'S file copy

Oregon W-2 Filing Instructions:

Effective as of calendar year 2011, all payroll service providers and businesses 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, 2012. 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 www.oregon.gov/DOR/BUS/iwire-income-wage-information-return-eservices.shtml for more information about Income and Wage Information Return E-Services (iWire).

W-2 Filing Instructions
(continued)

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.

http://www.oregon.gov/DOR/BUS/docs/iwire_specs.pdf
(updated 09/12/2011)

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

Oregon Form W-R annual reconciliation: Due March 31 2012

22222		Void <input type="checkbox"/>	a Employee's social security number		For Official Use Only ▶ OMB No. 1545-0008		
b Employer identification number (EIN)			1 Wages, tips, other compensation		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		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 <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		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	

Form **W-2** Wage and Tax Statement
 Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.

2011

38-2099803 Department of the Treasury—Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see back of Copy D.

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 – Do not enter an amount in Box 9

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 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, DO NOT complete box 11.

W-2 Filing Instructions
(continued)

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 29 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 Social Security or RRTA 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.
DD	Cost of employer-sponsored health coverage. The amount reported with code DD is not taxable.
EE	Designate Roth contributions under a governmental section 457(b) plan. Do not use this code to report elective deferrals under code G.

W-2 Filing Instructions
(continued)

Box 13 – Checkboxes

Check all boxes that apply.

Box 14 – Other

Income tax withheld by payer of third party sick pay. If you are the employer and have employees who had federal income tax withheld on third-party payments of sick pay, show the total income tax withheld by third-party payers on payments. Although this is included in Box 2, it must be shown separately in box 14.

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 2010 through June 2011 for 2012; July 2009 through June 2010 for 2011). 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*.

The look back period for a 2012 Form 941 filer who filed Form 944 in either 2010 or 2011 is calendar year 2010.

How to Calculate the Tax Liability Per Pay Period

Federal withholding + FICA/Medicare withholding + Employer FICA (6.2% up to wage base) + Medicare 1.45% = 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

To avoid penalties, at least 98% of the deposit obligation must be paid when due.

Effective January 1, 2011, final regulations have been issued which require electronic funds transfer for all federal tax deposits. All taxpayers that were using FTD coupons will be pre-enrolled in the Treasury's free EFTPS. They will receive notification of pre-enrollment and can use the phone or internet to activate their PIN, enter their financial account information and begin scheduling payments.

The de minimis deposit rules are still in effect for 2012. Taxpayers may make a payment with Form 941 or Form 945 instead of depositing if:

1. Form 941 total tax liability for either the current quarter or preceding quarter is less than \$2,500 and you did not incur a \$100,000 next day deposit obligation during the current quarter.
OR
2. You are a monthly schedule depositor.

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.

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.
- 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

- \$30 Per W-2 if correct information is filed within 30 days of the due date, maximum penalty \$75,000 (\$25,000 for small businesses)
- \$60 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)
- \$100 Per W-2 if correct information is filed after August 1, maximum penalty \$1,500,000 (\$500,000 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.
- First day of work has been added to new hire reporting elements.
- 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) 206-6021	(334) 242-8956	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	(800) 796-3524	(916) 319-4400	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	(877) 274-2580	(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) 887-7607	(617) 887-7560	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) 684-6379	20 days
NH	(603) 229-4371	(888) 783-3598	20 days
NJ	(877) 654-4737	(800) 304-4901	20 days
NM	(888) 878-1607	(888) 878-1614	20 days
NY	(800) 972-1233	(518) 320-1080	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	(866) 748-4473	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 2012 Form W-4 has been issued.

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 2012, 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) may be 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:

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

Example - For 2012 January and February only, with reduced Social Security withholding:

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

- Where “amount of original pay” = \$500
- Where “applicable tax rate” = 39.65% (25% federal + 9% state + 4.2% FICA + 1.45% Medicare)
- Where “divisor factor” = 60.35% (100% minus applicable tax rate of 39.65%)

The calculation would look like this:

$$\frac{\$500}{(100\% - 39.65\%) = 60.35\%} = \$828.50 \text{ Gross Wages}$$

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	\$ 828.50
Federal w/h – 25%	(207.12)
FICA – 4.2%	(34.79)
Medicare – 1.45%	(12.01)
OR w/h – 9%	(74.58)
Net Pay	<u>\$ 500.00</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, 4.2% FICA (rate currently extended to January and February 2012 only), 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 preceding Friday is the “legal holiday”.

Year 2012 Legal Holidays

January 2 – New Year's Day	July 4 – Independence Day
January 16 – Martin Luther King Day	September 3 – Labor Day
February 20 – Presidents Day	October 8 – Columbus Day
April 16 – District of Columbia Emancipation Day	November 12 – Veterans' Day
May 28 – Memorial Day	November 22 – Thanksgiving Day
	December 25 – 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. Do not include the cost of moving furniture the employee purchases on the way to their new home.
2. Travel (including lodging but NOT meals) from the employee's old residence to the new residence. This includes the employee and members of his/her household.
3. Storage expenses: costs of storing and insuring household goods and personal effects within any period of **30 consecutive days** after the day the employee's things are moved from their former home and before they are moved to their new home.

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.

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 (2012 and 2011) employee exclusion for employer-provided parking. The limit on transit passes and van pool exclusion is \$125 per month for 2012 and \$230 per month for 2011. 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 \$1,800 for 2012 and \$1,700 or more in cash annually for 2011. 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 January 31, 2012.

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 January 31, 2012
- Federal copy is due February 29, 2012 to Social Security Administration
- Oregon - See W-2 filing instructions, pages 16 and 17.

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 contractors 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 \$1,800 for 2012 and \$1,700 for 2011. 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). See the instructions below on how to order the forms you will need.

W-2 Forms

■ 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 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.

Undeliverable W-2 Forms should be kept for 4 years. If they can be electronically reproduced through April 15th of the fourth year after the year of issue, paper copies do not need to be retained.

Information return should be kept at least 3 years, 4 years for Form 1099-C, from the due date of the return. Keep copies of information returns for 4 years if backup withholding was imposed.

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

Tylene Howard
503-445-3312
thoward@gmco.com

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.