



Payroll and Information Reporting Guide

2020 – 2021

2020 Year End Payroll Information

It is important to remember that wages are not limited to salary, but include other payments that are actually or constructively paid to an employee. The following is a listing of some of the more common payment arrangements that may need to be included as wages and reported on an employee's Form W-2.

Bonuses Whether paid in cash or otherwise, bonuses are supplemental wages subject to income tax withholding, social security, Medicare, FUTA, SUI and Tri-Met unless they are non-cash gifts of minimal value. Please note that gift certificates are considered cash and thus are treated the same as a cash bonus.



Awards and prizes When given to an employee as a result of the employee's performance on the job, awards and prizes are generally subject to income tax withholding, social security, Medicare, FUTA, SUI and Tri-Met whether they are cash or non-cash.

However, if a non-cash award is given to an employee for length of service or safety achievement, and is awarded as part of a meaningful presentation, the value can be excluded from the employee's income. The most that can be excluded for the cost of all employee achievement awards to the same employee for the year is \$400. A higher limit of \$1,600 may apply in certain circumstances under a written qualified plan.



Personal use of a company owned vehicle or airplane This is considered a fringe benefit that is includible in an employee's wages, and is subject to income tax withholding, social security, Medicare, FUTA, SUI and Tri-Met. However, the employer may elect not to

withhold income taxes when a written notice is given to the employee. We can provide you with the forms necessary to calculate the value of this fringe benefit, or we can perform the calculation for you.

Group-term Life Insurance The value of group-term life insurance coverage in excess of \$50,000 is includible as wages and is subject only to social security and Medicare taxes, but not FUTA, SUI, Tri-Met or income tax withholding. If this situation applies to you, please contact us for the information necessary to determine the amount to be included in an employee's taxable income.

Health Insurance or Disability Premiums For S corporations paying health insurance, including long-term care and Medicare premiums, and/or accident disability premiums on behalf of a shareholder-employee who owns more than two percent of the corporation's stock, the premiums must be added to the shareholder's taxable wages. This amount is not subject to social security, Medicare, FUTA or SUI but is subject to income tax withholding and Tri-Met.

Note Adjustments may also need to be made to an employee's Form W-2 for certain benefit programs. Two of the most common are discussed below.

Retirement Plans Retirement plan deferral rules and limitations vary depending on the plan. Employee salary reduction arrangements (SAR-SEP), SIMPLE plan deferrals, and non-Roth 401(k) deferrals are subject to social security, Medicare, FUTA, SUI and Tri-Met taxes, but are excluded from an employee's taxable income and are exempt from income tax withholding. The maximum annual elective deferral limitations for the following types of retirement plans are:

	2020	2021
401(k) and SAR-SEP	\$ 19,500	\$ 19,500
Catch-up provision if 50 or older	\$ 6,500	\$ 6,500
SIMPLE IRA	\$ 13,500	\$ 13,500
Catch-up provision if 50 or older	\$ 3,000	\$ 3,000

Cafeteria Plans Cafeteria plans are benefit plans under which employees can choose among cash and certain qualified benefits. Generally, qualified benefits under a cafeteria plan are not subject to social security, Medicare, FUTA, or income tax withholding. However, if an employee elects to receive cash instead of any qualified benefits, the cash is treated as wages subject to all employment and income taxes.

The items listed are by no means all-inclusive of the numerous payment and benefit arrangements practiced

today. If you have any special arrangements with your employees and are concerned about how to report them, we would be glad to assist you.

2020 - 2021 Payroll Information

FICA (Social Security and Medicare Tax) The following table summarizes the FICA wage limits and tax rates for 2020 and the 2021 limits and rates.

	2020	2021
Social Security wage base	\$ 137,700	\$ 142,800
Medicare wage base	No limit	No limit
Social Security percentage	6.2%	6.2%
Medicare percentage	*1.45%	*1.45%
Total FICA percentage	7.65%	7.65%
Maximum Social Security withholding	\$ 8,537.40	\$ 8,853.60
Maximum Medicare withholding	No limit	No limit

* Additional Medicare tax at a rate of .9%, for a combined rate of 2.35%, must be withheld on wages paid to an individual in excess of \$200,000 (\$250,000 for married couples filing jointly) in a calendar year without regard to the employee's filing status or wages paid by another employer.

Income Tax Withholdings (Federal and State)

Federal income tax withholding tables are no longer included in Publication 15 (Circular E), Employer's Tax Guide. These tables and the employer instructions on how to figure employee withholding are now included in Publication 15-T, Federal Income Tax Withholding Methods. You may also use the Income Tax Withholding Assistant for Employers at [IRS.gov/ITWA](https://www.irs.gov/ITWA) to help you figure federal income tax withholding. The Oregon withholding tables expected to be issued December 2020 should be used for 2021. Beginning January 1, 2020, all Oregon withholding changes need to be made using Form OR-W-4.

FUTA (Federal Unemployment Tax)

	2020	2021
FUTA wage base	\$ 7,000	\$ 7,000
FUTA percentage	6%	6%
State unemployment tax credit	5.4%	5.4%
Net FUTA percentage	.6%	.6%
Maximum net federal unemployment tax	\$ 42	\$ 42

Deposit Requirement If your FUTA tax liability for a quarter is \$500 or less, you do not have to deposit the tax. You may carry it forward and add it to the liability figured in the next quarter to see if you must make a deposit.

Non-payroll Income Tax Withholding Income tax withheld during 2020 on non-payroll items such as retirement distributions, must be reported on Form 945, Annual Return of Withheld Federal Income Tax. This return is due February 1, 2021.

SUI (State Unemployment Tax) You should have been notified by the Oregon Department of Revenue of your state unemployment tax rate for 2021. If you have retained a payroll service to process your payroll, make sure you notify them of your new tax rate.

	2020	2021
SUI wage base	\$ 42,610	\$ 43,800
SUI percentage	0.7 – 5.4%	1.2 – 5.4%
Taxable base tax rate (new employer rate)	2.1%	2.6%

Tri-Met Transit District If your employees work within the Tri-Met Transit District, wages paid to them will be subject to the Tri-Met Transit District tax.

	2020	2021
Tri-Met Transit District tax rate	.7737%	.7837%

Workers' Compensation Assessment Workers' compensation expense is made up of two components: the hourly assessment and the insurance coverage. Only the hourly assessment is reported on the Oregon Quarterly Combined Tax Report (Form OQ). The insurance coverage is still paid to your private insurance company. If hours are not tracked, employers may calculate total hours using 173.33 hours per month or 40 hours per week, prorated for part-time workers.

Hourly Rate	2020	2021
Workers' comp. assessment	\$.022	\$.022
Employee's maximum	\$.011	\$.011
Employer's minimum	\$.011	\$.011

Statewide Transit Tax Beginning July 1, 2018, Oregon imposed a statewide transit payroll tax of .1% on the wages of employees who are:

- Residents of Oregon; or
- Nonresidents performing services in Oregon.

If you fail to withhold this tax, the law imposes a penalty of \$250 per employee, with a maximum penalty of \$25,000 and you will be responsible for paying the tax. Residents of Oregon subject to the tax who earn wages outside Oregon will be responsible for paying the tax.

Mileage Rate The standard mileage rate is used to calculate the deductible costs of operating a vehicle for

business purposes. Any reimbursement to an employee should not be treated as taxable income.

	2020	2021
Business Mileage	\$.575	\$.560

New Hire Reporting Requirements You must complete and keep for your records, federal Form I-9, Employment Eligibility Verification Form, for each new employee you hire. The form is issued by U.S. Citizenship and Immigration Services to confirm that the employee is legally qualified to work in the United States. Employers are entitled to ask for and copy the necessary documents as outlined in Form I-9. Employers must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and related to the individual, and record the document information on Form I-9.

For Oregon, the name, address, and social security number of newly hired and rehired employees are required to be reported within 20 days to the Division of Child Support by mailing Form W-4, the Oregon Employer New Hire Reporting Form, or a similar list to Employer Services, Division of Child Support, Oregon Department of Justice, PO Box 14680, Salem, OR 97309. Be sure to include your company name, address, and federal tax identification number. You may also fax the required information to 1-877-877-7415 or use the Oregon Employer Services Portal <https://employerportal.oregonchildsupport.gov>. Most payroll tax services will automatically file the necessary information, but employers should confirm that this service is provided.

Electronic Deposit Requirements If you make payroll tax liability deposits in any manner other than paying them with the quarterly return, you are required to deposit them electronically through EFTPS. You will need to sign up for EFTPS. It's easy and it's free. To enroll in EFTPS, complete the application online at www.eftps.gov. We would be glad to assist you with enrollment and answer any questions you may have regarding EFTPS.

Wage and Tax Statements (Forms W-2 & W-3) The completed 2020 Forms W-2 must be distributed to your employees by February 1, 2021. Failure to do so by this date may result in a \$50 to \$280 penalty per W-2, depending on when filed. Copies of Forms W-2 and the related transmittal Form W-3 must also be sent to the Social Security Administration by February 1, 2021. A single 30-day extension to file Forms W-2 is available,

but is not automatic. Penalties can increase to \$560 per return with no annual cap for intentional disregard of these filing requirements.

All Oregon businesses are required to electronically transmit their 2020 W-2 information to the Oregon Department of Revenue. If you use a third-party payroll provider, they should be electronically filing for you and there should be nothing further you need to do. If you are using QuickBooks payroll, please note that not all versions of QuickBooks payroll will take care of this requirement. You need to confirm that your subscription includes electronic filing of Oregon Forms W-2. The Oregon Annual Withholding Tax Reconciliation Report (Form OR-WR) must be filed with the Oregon Department of Revenue on or before February 1, 2021.

If you process your own payroll or use certain versions of QuickBooks payroll, please visit <http://www.oregon.gov/DOR/programs/businesses/Pages/iwire.aspx> to electronically file your Forms W-2 with Oregon on or before February 1, 2021.

Annual Information Returns (Forms 1099)

Forms 1099, reporting certain interest, rent, royalties, etc., must be distributed to the payees by February 1, 2021. Copies of the new Forms 1099-NEC reporting any non-employee compensation and the related transmittal, Form 1096, must also be filed by February 1, 2021 whether by paper or electronically. Copies of Forms 1099 reporting amounts other than non-employee compensation must be filed by March 1, 2021. If filed electronically, the due date is March 31, 2021.

Request, Receipt, and Maintaining Forms W-9

Individuals and entities that are required to file information returns must also request, receive, and maintain records of the received Form W-9. If the individual or entity fails to provide the requested W-9 they may be subject to a penalty of \$50, and the requester should immediately begin backup withholdings and remit to the IRS. In addition, the requester of the Taxpayer Identification Number (TIN) should make 3 solicited attempts to obtain the requested information in order to avoid penalties for failing to include the TIN on the information return.

The following listing of Forms 1099 and their requirements is not all inclusive, but is a summary of the most common filings.

Miscellaneous Income (Form 1099-MISC) Form 1099-MISC is required to be issued to non-incorporated entities, including partnerships, LLCs, and individuals

when you 1) give prizes, awards, or make other payments of \$600 or more that are not for services performed for your business, 2) make payments of \$10 or more for royalties, 3) pay \$600 or more for rent (unless paid to a real estate agent), or 4) pay \$600 or more for amounts **paid to attorneys that are not paid for legal services, such as for settlement fees, regardless of whether the attorney is incorporated or not.** If the amount paid was for both legal and settlement fees, and the amount for legal fees cannot be determined, the gross proceeds paid to your attorney should be reported in Box 10.

Nonemployee Compensation (Form 1099-NEC)

New for 2020, Form 1099-NEC is required to be issued to non-incorporated entities, including partnerships, LLCs, and individuals when you 1) pay \$600 or more for fees, commissions, or other forms of compensation to an individual who is not your employee, but performed services for your business, 2) pay \$600 or more for fish or aquatic life, or 3) pay \$600 or more for **legal fees in the course of your trade or business regardless of whether the attorney is incorporated or not.** If the amount paid was for legal and settlement fees, and the amount for legal fees cannot be determined, the gross proceeds paid to your attorney should be reported on Form 1099-MISC, Box 10.

Dividend Income (Form 1099-DIV)

Form 1099-DIV is required when 1) payments of \$10 or more in dividends or capital gains distributions on stock are made, or 2) a distribution of \$600 or more as part of a liquidation occurs. Generally, Form 1099-DIV is not required for distributions to a shareholder of an S corporation. Form 1099-DIV is not required for dividends paid to corporations.

Interest Income (Form 1099-INT)

Form 1099-INT is required when interest of \$10 or more is paid in the course of your trade or business. Form 1099-INT is not required for interest paid to corporations.



Retirement Distribution (Form 1099-R)

Form 1099-R is required for 1) distributions of \$10 or more from pension or profit-sharing plans, IRAs, SEPs, insurance contracts, or annuities, or 2) death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan.

Mortgage Interest (Form 1098) Form 1098 is required when \$600 or more of mortgage interest or

certain points are received in the course of your trade or business from an individuals, including sole proprietor.

Oregon Forms 1099 Filing Requirements

The Oregon Department of Revenue now requires most information returns for all businesses to be filed electronically with the state on or before February 1, 2021. Let us know if you need assistance with electronically filing your 2020 Forms 1099.

OregonSaves

In 2018, Oregon introduced OregonSaves, its retirement savings program. The goal is to provide retirement savings options to employees who were currently not being offered a retirement plan. Employers who have employees working in Oregon, but don't have an existing employer-sponsored plan, must register and enroll for OregonSaves.

OregonSaves is taking a phased approach to rolling out the program, starting with larger employers. All Oregon employers were to have registered on or before May 15, 2020, but due to COVID-19, the deadline was changed to January 15, 2021. During the registration process, you provide basic information about your business to determine if you must enroll in the program. If you are required to enroll, you will complete an enrollment process and verify or provide a limited amount of additional information and complete the enrollment process. The State will notify employers directly when they will be required to register or certify that they are exempt from the program and will include instructions and due dates. For more information, please visit OregonSaves.com

If you have any questions regarding the information in this guide or would like our assistance with Forms 1099 or payroll issues, please do not hesitate to call.



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