

PAYROLL NEWSLETTER

SOCIAL SECURITY ADMINISTRATION

INTERNAL REVENUE SERVICE

- **The Consolidated Appropriations Act of 2021** extended COVID-19 related provisions, including the COVID-19 sick paid leave, Employee Retention Credit and Paycheck Protection Program through March 31, 2021. **The American Rescue Plan Act of 2021** extended the COVID-19 related provisions once again through September 2021.

Employers are required to report any COVID-19 wages paid either on Form W-2, Box 14 or on a separate statement. More information can be found at www.irs.gov/coronavirus/new-employer-tax-credits.

- **For tax year 2022, the employee & employer tax rates for Social Security remain at 6.2%. The 2022 wage base for Social Security increased to \$147,000.** All wages are subject to Medicare.

Employers are required to withhold 0.9% Additional Medicare Tax on FICA wages or RRTA compensation it pays to an employee in excess of \$200,000 in a calendar year. The employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages or compensation in excess of \$200,000 to an employee and continue to do so until the end of the calendar year. **The Additional Medicare Tax is only imposed on the employee; there is no employer share of Additional Medicare Tax.**

- **IMPORTANT:** If you prepare payroll through a computerized system, please **be sure to update your tax tables through your software company “before” preparing your first payroll in January 2022.**
- **The IRS mails out notices relating to the 2022 Federal Tax Deposit Requirements.** If you did not receive a notice and are questioning your deposit frequency, please check the lookback period and refer to IRS Notice 931 – Deposit Requirements for Employment Taxes at www.IRS.gov
- **IMPORTANT REMINDER:** to **timely deposit taxes electronically through EFTPS**, please remember to initiate the transaction by 8 p.m. Eastern time (7 p.m. Central) at least one business day before the date the deposit is due. Go to www.eftps.gov for further information.
- **At this time, the Federal Unemployment gross wage limit for tax year 2022 remains at \$7,000 and the tax rate remains at .6%. However, if Minnesota does not repay the federal unemployment loan balance by November 10, 2022, the rate may increase.** Any increased FUTA tax liability due to a credit reduction is considered incurred in the fourth quarter and is due by January 31 of the following year. When the FUTA tax liability for any calendar quarter in 2022 is over \$500 (including any FUTA tax carried forward from an earlier quarter), you are required to deposit the tax electronically through EFTPS.

- **The Affordable Care Act** provides that employers are required to report the cost of employer-provided health care coverage on W-2s. **For 2021, you are not required to report the cost on the W-2s if you filed less than 250 W-2s in 2020.**

MINNESOTA REVENUE

- **MN Revenue withholding tax tables were revised effective January 1, 2022.** MN Withholding tax tables are no longer mailed to employers. The booklet and other important withholding tax information are available on the website @ www.revenue.state.mn.us or go to our website at www.phbcpa.com, hover over Resources and select Forms and Downloads.

Contact MN Revenue at (651) 282-9999 or 1-800-657-3594 with Withholding tax questions

Contact MN Revenue at 1-800-657-3605 with Business Registration questions

Contact MN e-Services at 1-800-657-3666 with general questions relating to e-Services

- **Go to the Minnesota Department of Revenue website - www.revenue.state.mn.us** for tax announcements and other important withholding tax notices. Be sure to check the website periodically for updates, as changes may occur after the 2022 Minnesota Income Tax Withholding Instruction Booklet and Tax Tables are released.
- **If you are not subscribed to receive updates from MN Revenue,** go to www.revenue.state.mn.us and click on the red envelope in the bottom right corner of the home page.

MN UNEMPLOYMENT TAX

- **Minnesota Unemployment Insurance (UI) tax rates for 2022 will be mailed to all registered employers.** The minimum Total Due Estimator rate is 0.6803%. This consists of the base rate of 0.50%, and the Workforce Development Assessment (also referred to as Workforce Enhancement Fee) of 0.10% of the taxable wages. There is an Additional Assessment due of 14.00% of unemployment tax due, a Federal Loan Interest Assessment of 1.80% of unemployment tax due . The maximum Total Due Estimator rate is 10.4286%.

IMPORTANT: Please change your MN UI tax rate “before” processing payroll for year 2022 if your 2021 rate is changed from 2021. Please contact our office if you have questions relating to updating your MN UI tax rate.

- **The MN UI taxable wage base for year 2022 increased to \$38,000.**

OTHER IMPORTANT PAYROLL RELATED INFORMATION

- **Be sure your business information is always kept current.** If you have address changes or any other changes to your business, please be sure to **make these changes with the IRS, EFTPS, MN Revenue, MN UI, MN New Hire Reporting, and the Secretary of State, if applicable.**

FORMS REQUIRED WHEN HIRING NEW EMPLOYEES

- **Form I-9:** When hired, employees and employers must complete the Department of Homeland Security, U.S. Citizenship and Immigration Services **Form I-9, Employment Eligibility Verification**. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. Be sure to use Form I-9 (10/21/19) which is available at www.uscis.gov or on our website at www.phbcpa.com. Instructions to complete the form are included with the form. Please be sure to use the most current version of Form I-9.
- All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. Employers must retain an employee's completed Form I-9 for as long as the individual works for the employer. Once the individual's employment has terminated, the employer must determine how long after termination the Form I-9 must be retained, either three years after the date of hire, or one year after employment is terminated, whichever is later.
- **Form W-4 - Employee's Withholding Allowance Certificate:** Must be completed by each employee when hired. **Their name should be the same as on their Social Security card. It is very important that the Social Security number and name match because the IRS will assess penalties on employers filing Forms W-2 with mismatched names and Social Security numbers.** We suggest that you verify this information through SSNVS as new employees are hired.

Refer to IRS Publication 15 – Circular E, Employer's Tax Guide and/or the Minnesota Income Tax Withholding Instructions and Tax Tables for Quarterly and Annual Filers for further information relating to Form W-4/W-4MN which can be accessed at www.irs.gov, at www.revenue.state.mn.us or through our website at www.phbcpa.com.

MN Withholding Allowances – employees must fill out Form W-4MN as the allowances no longer follow the Federal W-4.

Note: If an employee claims to be exempt from Minnesota withholding, you must have them complete a new Form W-4MN each year.

- **New – MN Wage Theft Law:** The Minnesota law went into effect July 1, 2019. The law includes requirements regarding the timing of wage payments, written wage notices, earnings statements, and record keeping. Some of the more notable changes include providing a written notice to employees with specific information regarding their employment status and terms of employment, and additional required information on earnings statements. There is additional information at www.phbcpa.com or https://www.dli.mn.gov/sites/default/files/pdf/wage_theft_summary_employers.pdf.
- **New Hire Reporting:** Employers are required to submit their new hire reports within 20 days after an employee is hired or re-hired or returns to work.

There are various ways to report new hires including electronic online reporting, by mail or fax. For detailed instructions, call the MN New Hire Reporting Center toll free at (800) 672-4473, visit the website at www.MN-NewHire.com.

- **Other States New Hire Reporting - New Hire Reporting is required in all 50 states.** Please contact each state to find out the new hire reporting requirements.