

PAYROLL NEWSLETTER

SOCIAL SECURITY ADMINISTRATION

INTERNAL REVENUE SERVICE

- The IRS released regulations effective in 2023 that **lowered the e-file requirement for informational returns which include W-2s and 1099s from 250 forms to 10 forms. This new e-filing threshold is still in place.** This regulation includes the combined total for all informational forms filed.
- **For tax year 2025, the employee & employer tax rates for Social Security remain at 6.2%. The 2025 wage base for Social Security increases to \$176,100.** 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 2025.**
- **The IRS mails out notices relating to the 2025 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.
- **Form 940 – for 2024, Minnesota IS NOT a credit reduction state, therefore Schedule A (Form 940) is not required to be filed with Form 940.** California, New York, and the Virgin Islands are the only credit reduction states for 2024. If you have questions, refer to the 2024 instructions for Form 940 and Schedule A (Form 940) at www.irs.gov or also find it on our website at www.phbcpa.com.
- **The Affordable Care Act** provides that employers are required to report the cost of employer-provided health care coverage on W-2s. **For 2024, you are not required to report the cost on the W-2s if you filed less than 250 W-2s in 2023.**

MINNESOTA REVENUE

- Effective January 1, 2024, Minnesota's earned sick and safe time law requires employers to provide paid leave to employees who work in the state. For more information and FAQs please visit Minnesota Department of Labor and Industry, or follow this link: <https://www.dli.mn.gov/business/employment-practices/faqs-earned-sick-and-safe-time-esst>.
- **MN Revenue withholding tax tables were revised effective January 1, 2025.** 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 (651) 282-5225 or 1-800-657-3605 with Business Registration questions
Contact MN e-Services at (651) 556-3000 or 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 2024 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 2025 will be mailed to all registered employers.** The minimum Total Due Estimator rate is 0.4%. This consists of the base rate of 0.20%, and the Workforce Development Assessment (also referred to as Workforce Enhancement Fee) of 0.20% of the taxable wages. The maximum Total Due Estimator rate is 9.3%.

IMPORTANT: Please change your MN UI tax rate “before” processing payroll for year 2025.
Please contact our office if you have questions relating to updating your MN UI tax rate.

- **The MN UI taxable wage base for the year 2025 increased to \$43,000.**
- **NEW!** Beginning January 1, 2026, the new Minnesota Paid Leave Law will be in effect. Although the new law doesn't start until 2026 there are reporting requirements that have started in 2024 quarter 3. If all of your employees are covered under Minnesota Unemployment, there is nothing else you need to do. If you have officers that are not covered under Minnesota Unemployment, or are not registered with Minnesota Unemployment, you will need to register for a Paid Leave only account and start reporting wages as of Quarter 3 2024. More information can be found at <https://uimn.org/employers/employer-account/news-updates/paid-leave-mn.jsp>.

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 (08/01/23) which is available at <https://www.uscis.gov/sites/default/files/document/forms/i-9.pdf> 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.
- Employers must retain an employee's completed Form I-9 for as long as the individual works for the employer. 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. **The employee's name must match their Social Security card. 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.**

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.

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 Wage Theft Law:** Employers are required to provide each employee with a written notice at the start of their employment. The notice must contain specific information about an employee's employment status and terms of employment. To find the full listing of the required information or sample notice go to 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.
- **Earned Sick and Safe Time:** Employers must provide employees with a notice at the start of employment informing them about earned sick and safe time. A sample notice can be found here: <https://www.dli.mn.gov/sick-leave#notice>.