



New Deadlines for 2016!

The federal government now requires employer copies of W-2's to be filed by **January 31st**. Timing has never been more critical for accurate reporting of any and all payroll data before the end of the year.

Keep in mind that any 2016 payroll run after December 31st will invariably result in a late deposit of payroll taxes, and will carry a minimum fee of \$500 to re-file a previously closed year.

You need to notify us of any earning or tax information that is not part of your ordinary payroll, but needs to be reported on your employees' W-2's. This should be done as early as possible prior to December 31st to avoid costly tax return amendments. Reporting taxable fringe items with your regularly scheduled payroll allows associated taxes to be withheld from your employee's normal payroll check. If they are reported separately or the affected employee has terminated, the employer will often have to fund both employee and employer shares.

Some of the items to consider are:

Handchecks, voids or bonuses paid after your last scheduled payroll run for the year
'S' Corporation officer's medical
Employer provided life insurance in excess of \$50,000
Personal use of company provided vehicles
Reportable qualifying employee gifts or awards
Employer contributions to a non-qualified deferred compensation or retirement plan
Any other taxable fringe benefits (Employer HSA Contributions for W2 Disclosure and CA Tax Reporting, Health Club Memberships, Un-substantiated Cash Payments, etc).
Employer paid moving expenses
Allocated Tips
Sick or disability pay reported to you by a third party administrator

If you are unable to quantify any of these items before December 31st, please call us to let us know when you will have the information necessary to prepare and file your W-2's.

You must provide us with any significant company changes or additions **three weeks** prior to the first scheduled 2017 payroll. Changes to voluntary deductions, accrual plans and GL mappings are examples of items requiring re-configuration time.

California 2016 FUTA Credit Reduction

California is the only credit reduction state remaining that has not repaid its Federal government loan to fund unemployment benefits. An annual increase of 0.3% in the usual credit against FUTA tax means employers paying wages in California will owe an additional **1.8%** on taxable FUTA wages, due January 31, 2017.

Employer W-2 Health Care Cost Reporting Mandate

Employers with over 250 W-2's for tax year 2015 will be required to report the value of employer sponsored healthcare coverage on the 2016 W-2. Other coverage, such as coverage for Dental, Vision, Supplemental Coverage, Long Term Care Coverage and the like are excluded. Amounts contributed to an Archer MSA or an HSA, or salary reduction contributions to a Healthcare FSA are also excluded, although special rules apply. Small employers, defined as those who filed fewer than 250 W-2 Forms for 2015, will not have to comply until 2017. If you are mandated to comply in 2016 please call IBS for instructions on how to track the healthcare coverage cost within the system.

Bonus Payments

Don't forget to consider statutory required withholding rates of 25% and 10.23% for Federal and California respectively, for all bonus payments to employees. The state of California still uses a special rate of 6.6% for supplemental payments to employees over and above their base salary

California Minimum Wage

California has adopted a phased in schedule of new minimum wage rates based on the number of active employees in your company.

Hourly Rate	26 Employees or More	25 Employees or Less
\$10.50	Jan 1, 2017	Jan 1, 2018
\$11.00	Jan 1, 2018	Jan 1, 2019
\$12.00	Jan 1, 2019	Jan 1, 2020
\$13.00	Jan 1, 2020	Jan 1, 2021
\$14.00	Jan 1, 2021	Jan 1, 2022
\$15.00	Jan 1, 2022	Jan 1, 2023

ACA Reporting Deadline for 2016

Employers that had at least 50 full-time employees, including full-time equivalent employees on average last year are required to provide Form 1095C to the employee by January 31st. Paper copies of Form 1095C and Form 1094C are due to the IRS by February 28th. Employers with over 250 forms must file the forms electronically via the IRS e-services website. The electronic filing deadline is March 31st for voluntary and mandatory filers.

PLEASE NOTE, the application process for an IRS e-services account can take 4 to 6 weeks so please start the process early.

Penalties for failure to furnish Form 1094C or 1095C is \$250 per form with a maximum annual penalty cap of three million dollars.

FEDERAL TAX RATES:		
	FSOC	FMED
Maximum Earnings	\$127,200	No Limit
Rate of Tax - Employer	6.2%	1.45%
Rate of Tax - Employee	6.2%	1.45% up to \$200k 2.35% over \$200k
Maximum Deduction	\$7,886.40	No Limit
FUTA		
Maximum Earnings	\$7,000	
Net Tax (After Maximum Allow able Credit)	0.6%	
Federal Withholding Supplemental Tax Rate	25%	
Mileage Reimbursement	\$0.540	Subject to Change

CALIFORNIA TAX RATES:		
	CADI	
Maximum Earnings	\$110,902	
Rate of Tax (Employee Rate)	0.9%	
Maximum Deduction	\$998.12	
	CAUI	ETT
Maximum Earnings	\$7,000	\$7,000
New Employer Rate	3.4%	0.1%
CA Withholding Supplemental Rates		
*Bonus/Stock Options	10.23%	
*All Other Supplemental Pay	6.60%	
* CA Minimum Wage	\$10.00 or \$10.50	
* Overtime Law : Rate of pay times 1.5 after 8 hours in a day or 40 hours in a week. Rate of pay times 2 after 12 hours in a day or after 8 hours on the seventh day.		

H.S.A. LIMITS:		
Plan	Limit	Catch-Up Contrib. (age 55 & over)
Single	\$3,400	\$1,000
Family	\$6,750	\$1,000

PENSION PLAN LIMITS:		
Plan	Limit	Catch-Up Contrib. (age 50 & over)
401k, 403b, ROTH	\$18,000	\$6,000
408p (SIMPLE Plans)	\$12,500	\$3,000
457 (Qualified)	\$18,000	\$6,000
457 (Deferred Compensation)	\$18,000	N/A

FEDERAL TAX DEPOSIT RULES:			
Rule	Determination for Base Period	Deposit Requirements	
		Check Day	Deposit Day
Monthly	If the accumulated tax liability is less than or equal to \$50,000 for the base period	Any Day	Deposit Monthly by the 15th of the follow ing month
Semi-Weekly	If the accumulated tax liability is greater than \$50,000 for the base period	Wednesday- Friday	Follow ing Wednesday
		Saturday- Tuesday	Follow ing Friday
Exception Rules	Tax Liability Amount	Deposit Day	
\$2500 Rule	If the tax liability is less than \$2500 for the entire quarter	Liability may be paid with the quarterly tax return	
\$100,000 Rule	If the accumulated tax liability is \$100,000 or more for any check date	Deposit next business day	

The deposit schedule for an employer during a calendar year is based on four quarters. The deposit frequency base period is July 1st to June 30th of the previous year. For 2017, the base period is July-September (3rd qtr) 2015, October-December (4th qtr) 2015, January-March (1st qtr) 2016, April-June (2nd qtr) 2016. The IRS will notify employers of their deposit frequency in November. However, it is the employer's responsibility to deposit federal taxes at the correct frequency if the notice is wrong.

CALIFORNIA STATE TAX DEPOSIT RULES:				
Your Federal Deposit Schedule is	And You Have Accumulated State PIT Withholding	SDI & PIT Deposit Required	If Payday is	Deposit Due
Next Banking Day	Less than \$350	NO	Any day	Quarterly
	\$350 to \$500	YES	Any day	15th of follow ing month
	More than \$500	YES	Any day	Next Banking Day
Semi-Weekly	Less than \$350	NO	Any day	Quarterly
	\$350 to \$500	YES	Any day	15th of follow ing month
	More than \$500	YES	Wed-Fri	Follow ing Wednesday
	More than \$500	YES	Sat-Tues	Follow ing Friday
Monthly	Less than \$350	NO	Any day	Quarterly
	More than \$350	YES	Any day	15th of follow ing month
Quarterly	Less than \$350	NO	Any day	Quarterly
	\$350 or more	YES	Any day	15th of follow ing month

Employer contributions to SUI and ETT are due quarterly. For withholding taken for employees' PIT & SDI, CA state deposit rules generally follow federal deposit guidelines. Once an employer makes a next banking day deposit, they automatically become a semi-weekly depositor for the remainder of that calendar year and all of the follow ing year.