



November 2015

### Preparing for Year-End

We want to stress the importance of reporting all of your 2015 payroll related items prior to December 31<sup>st</sup>.

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 31<sup>st</sup> to avoid costly backdating of payrolls after 2015 has been closed. Some of the items to consider are:

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

Another reason for reporting taxable fringe items with your regularly scheduled payroll is that associated taxes can 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.

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

Keep in mind that any payrolls required to be run after your first payroll of 2016 is processed will almost invariably result in a late deposit of payroll taxes, and will carry a minimum fee of \$300 to re-open a previously closed year.

Also, in order to assist IBS with our year-end workload, please provide us with any significant company changes or additions prior to the first scheduled 2016 payroll. Changes to voluntary deductions, accrual plans and GL mappings are examples of items requiring re-configuration time.

### 2015 FUTA Credit Reduction

A state is a credit reduction state if it has borrowed from the Federal government to fund unemployment benefits and hasn't repaid the loan within the mandated two year time frame. A reduction in the usual credit against FUTA tax means employers paying wages in the determined states will owe a greater amount of FUTA tax, due January 31, 2016. The Federal government reduces the employer's FUTA credit, thus increasing FUTA by .3%. Each year the loans go unpaid, the FUTA surcharge rate increases by .3%. Eight states, including California, currently have loan balances in their Trust Fund accounts.

**For California, the 2015 FUTA surcharge tax rate will increase to 1.5% on taxable FUTA wages.**

**Please refer to the bottom of your Payroll Summary report for your FUTA surcharge liability to date.**

### Bonus Payments

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

### Employer W-2 Health Care Cost Reporting Mandate

Employers with over 250 W-2's for tax year 2014 will be required to report the value of employer sponsored healthcare coverage on the 2015 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 2014, will not have to comply until 2016. If you are mandated to comply in 2015 please call IBS for instructions on how to track the healthcare coverage cost within the system.

### Minimum Wage Increase

Remember, the California minimum wage increases to \$10 per hour effective January 1, 2016.

**FEDERAL TAX RATES:**

Maximum Earnings	<b>FSOC</b>	<b>FMED</b>
\$118,500	No Limit	
Rate of Tax - Employer	6.2%	1.45%
Rate of Tax - Employee	6.2%	<b>1.45% up to \$200k</b>
Maximum Deduction		<b>2.35% over \$200k</b>
		\$7,347.00 No Limit
Maximum Earnings	<b>FUTA</b>	
\$7,000		
Net Tax (After Maximum Allowable Credit)	0.6%	
Federal Withholding Supplemental Tax Rate	25%	
Mileage Reimbursement	0.56	<b>(SUBJECT TO CHANGE)</b>

**CALIFORNIA TAX RATES:**

Maximum Earnings	<b>CADI</b>	
\$106,742		
Rate of Tax (Employee Rate)	0.9%	
Maximum Deduction	\$960.68	
Maximum Earnings	<b>CAUI</b>	<b>ETT</b>
\$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
* 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:**

<b>Plan</b>	<b>Limit</b>	<b>Catch-Up Contrib. (age 55 &amp; over)</b>
Single	\$3,350	\$1,000
Family	\$6,750	\$1,000

**PENSION PLAN LIMITS:**

<b>Plan</b>	<b>Limit</b>	<b>Catch-Up Contrib. (age 50 &amp; over)</b>
401k, 403b, ROTH	\$18,000	\$6,000
408p (SIM/PLE 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 following month
Semi-Weekly	If the accumulated tax liability is greater than \$50,000 for the base period	Wednesday-Friday	Following Wednesday
Exception Rules	<b>Tax Liability Amount</b>	Saturday-Tuesday	Following Friday
\$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 2016, the base period is July-September (3rd qtr) 2014, October-December (4th qtr) 2014, January-March (1st qtr) 2015, April-June (2nd qtr) 2015. 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 following 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 following month
	More than \$500	YES	Wed-Fri	Following Wednesday
Monthly	More than \$350	YES	Sat-Tues	Following Friday
	Less than \$350	NO	Any day	Quarterly
	More than \$350	YES	Any day	15th of following month
Quarterly	Less than \$350	NO	Any day	Quarterly
	\$350 or more	YES	Any day	15th of following month

Employer contributions to SUI and ETT are due quarterly. For withholding taken for employees' PT & 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 following year.