

## SECOND QUARTER 2015

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### FUTA Credit Reduction Links

<http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/FUTA-Credit-Reduction>

*Further information and answers to frequently asked questions regarding the FUTA credit reduction; IRS website*

<http://www.ncsl.org/research/labor-and-employment/state-unemployment-trust-fund-loans.aspx>

*State Trust Fund Loan balance information; NCSL website*

## Potential 2015 FUTA Credit Reductions

There are eight states potentially subject to a reduction in FUTA credit on their 2015 Form 940, California being one of them. The other states at risk are Connecticut, Indiana, Kentucky, New York, North Carolina, Ohio and South Carolina.

**California faces a fifth year of additional FUTA costs, with a potential additional rate of 2.9% on taxable FUTA wages. This means an employer will pay a total of 3.5% on the first \$7000 of wages per employee. Calculated out, that's \$245 per employee!**

The credit reduction surcharge occurs when state unemployment insurance funds are depleted and states draw from a designated federal loan account. If those loans are not repaid within two years, employers lose part of their state FUTA tax credit, in effect increasing the FUTA tax rate for wages paid in the affected states. Because of this, employers in these states owe additional FUTA taxes in January, for the wages paid in the prior year, in order to repay state unemployment insurance loans. This additional amount increases by 0.3% each year until the balance is paid. There are also "add-on" percentages added to states that have carried unpaid balances for 3+ years. The affected states have until November 10, 2015 to pay off the balance in order to eliminate the FUTA credit reduction surcharge.

We are urging all of our clients to become aware of the impact this will have on their company. The majority of you are California based employers and 2015 will be the fifth year dealing with this additional tax. However, because of the potential "add-on" percentage the costs could be more than double of what they were in 2014. Because IBS does not know if the states will pay their balances, or if they will be granted waivers on the "add-on" percentages, we don't collect any of the FUTA credit reduction throughout the year. **THERE WILL BE A ONE-TIME COLLECTION BY IBS MID-JANUARY 2016 FOR THE 2015 FUTA CREDIT REDUCTION SURCHARGE.**

Please visit the IRS and NCSL websites, links provided on the left, for more information. If you'd like assistance calculating your potential FUTA credit reduction, please contact us.

### Important Dates

June 30, 2015: End of Q2/2015

July 24 , 2015: Q2 Tax Packages Available

### ShareFile Link

<https://ibspayroll.sharefile.com/login.aspx>

### IBS Forms Link

<https://ibspayroll.com/ibsforms.php>

### Contact Us

[www.ibspayroll.com](http://www.ibspayroll.com)

Phone: 707.586.4300

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## IBS ShareFile Client Portal

Most of you are familiar by now with ShareFile, the free web-based file sharing environment we began using back in 2012. It has been a convenient and secure way to push files up to our clients' secure folders, allowing them almost immediate access.

Just a reminder, for security purposes the items placed in the ShareFile folders are **ONLY AVAILABLE FOR 60 DAYS**. When you receive the notification something has been uploaded to your folder, you can either print it or save it off as an electronic file on your own computer. If we have to resend an item, such as your quarterly tax return package after the 60 days, there will be \$10 charge per item.

You can access your ShareFile account anytime via our website; link is provided on the left. If you aren't currently utilizing ShareFile and would like to create an account, please contact us at (707) 586-4300.

## Requesting a Company Bank Account Change

If you are planning to change your company bank account for payroll funding purposes, please visit our website for the appropriate forms. You will need to complete either Schedule B2 or Schedule B3 depending on whether you offer direct deposit to your employees. Both forms are available under Resources, Forms, IBS Forms on our website. We do require at least a week's notice in order to update our system and submit a "prenote" transaction to validate the new information.

Beginning July 1, 2015 we will begin charging for company bank account changes. The fee schedule will be as follows:

Bank Purchase/Advance Notice (1 week): \$50

Expedited/Rushed: \$100