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Payroll news
MARCH 2018

The New Tax Laws – How They Affect Payroll & Benefits

The new legislation recently signed into law, the Tax Cuts and Jobs Act, has employers talking. And, effective January 1, 2018, the new law affects employee benefits and executive compensation.

At **Data Management Payroll Services**, we make sure our clients have the facts. Check out just a few of the important highlights, and make sure your workplace is ready for the new laws.

FMLA Paid Leave Credits

Effective in 2018, federal tax credits will be provided to employers who offer paid medical and family leave to their employees.

Employers must pay at least two weeks of leave, and compensate their workers at a minimum of at least 50 percent of their regular earnings.

The tax credit will range from 12.5 percent to 25 percent, depending on how much a worker's regular earnings are paid during a worker's FMLA leave.

For half of the worker's wages paid, the tax credit will be 12.5 percent, increasing to 25 percent if the worker's full wages are paid to employees on leave.

For employers to receive the tax credit, both full- and part-time workers (employed for at least one year) must be offered paid leave, with part-time workers receiving pro-rated amounts.

Also noted, employers can only apply the credit for workers who earn below $72,000 annually.

Retirement Plan Loans

Currently, participants must repay any outstanding retirement plan loan balance within 60 days of their leaving a job, or they will pay income tax on the loan's balance.

Under the new law, the deadline to either pay the balance due (or deposit the balance into an IRA or other qualified plan) has been extended.

Borrowers now have until "the latest date on which the participant can file his or her tax return for the year of the loan default."

Fringe Benefits

Effective in 2018, employers can no longer receive a business deduction for qualified mass transit and parking benefits, unless the benefit ensures the safety of an employee.

Reimbursements for bicycle commuting expenses are also now taxable income, and subject to payroll and income taxes.

However, the above commuting costs to employees would continue to be tax exempt ONLY with an employer-sponsored, pre-tax salary deduction program.

Except for active-duty members of the armed forces, the business deduction and personal exclusion from taxable income for employer-paid moving expenses is being suspended.

In 2018, the food and beverage 50% deduction limit, that can be excluded from a worker's pay, remains the same, and now extends to the operation of on-site cafeterias.

The 50% food and beverage deduction limit that can be excluded from a worker's income as a de minimis fringe benefit, will end in 2025.

Both the employer deduction

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New Tax Laws...

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for worker's entertainment, amusement and recreation, and the business deduction for on-site gyms have been repealed.

Executive Compensation

Beginning tax year 2018, public companies can no longer deduct performance-based compensation in excess of $1 million.

Also, there will now be a deduction cap for the company's CEO, CFO, and the three highest paid executives, and the new law expands companies subject to the cap.

In 2018, a 21 percent excise tax will be imposed (on the organization) for executive compensation in excess of $1 million, paid to a tax-exempt organization's five highest-paid employees.

At **DM Payroll Services**, we want to make sure you're ready when new laws are passed, especially when they affect your payroll, compensation and benefits.

Click the links below for more information on the new tax laws, and be sure to check out our complete list of payroll processing and HR services … and so much more. Call us today! ❑

Sources: https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/how-tax-bill-alerts-employee-benefits.aspx and https://www.shrm.org/resourcesandtools/hr-topics/benefits/pages/taking-advantage-of-paid-leave-tax-credit.aspx.

Form W-2 or 1099? Don't Forget!

Just a few important reminders! Penalties associated with not issuing a *Form 1099* are now $250 per form not issued, without a maximum dollar amount on the penalties.

Before making any payments to vendors, require a W-9 to be completed, and review the information provided. *Form 1099* is required to be issued to all sole proprietors, partnerships, and LLCs.

*Form 1099*s are also required to be issued for payments made in the ordinary course of your trade or business of at least $600 for rents, services (including parts and materials), prizes and awards, and other income payments.

Any payment to an attorney requires *Form 1099* to be issued (regardless of entity type). And, if you are a 1065 Partnership, you are not allowed to have any W-2 wage earners.

Also note that *Form 1099*s are not required for vendors that you sell merchandise, freight, storage or similar items. ❑

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