

LOVE THOSE LIMITS

Social Security & Medicare

Social Security Wage Base	\$168,600
Social Security Tax Rate - EE (Employee)	6.20%
Social Security Tax Rate - ER (Employer)	6.20%
Social Security Maximum Tax Withholding - EE	\$10,453.20
Social Security Maximum Tax Withholding - ER	\$10,453.20
Medicare Wage Base	Unlimited
Medicare Tax Rate	1.45%
High Earners - Additional Medicare Excess Wage Base (EE Only)	Wages > \$200,000
High Earners - Medicare Tax Rate on Excess (EE Only)	0.90%

Federal Unemployment Insurance (FUTA)

FUTA Wage Base	\$7,000
FUTA Tax Rate	6.00%
FUTA Credit	5.40%
FUTA Net Rate	0.60%

Wage Rates

Federal Minimum Wage	\$7.25
Opportunity Wage (consecutive 90 days - under age 20)	\$4.25
Minimum wage for tipped employees	\$2.13
Employer Tip Credit	\$5.12
Definition of 'tipped' employees - those receiving monthly minimum	\$30.00
Cash tips received per month requiring report to employer (Form 4070)	\$20.00
Tip Allocation of gross receipts	8.00%

Mileage Rates

Federal IRS Mileage Rate	\$0.670
Co Car - Employer provided fuel	\$0.055
Charitable Mileage Rate	\$0.140
Moving Expenses Rate - Applies to Military Moves	\$0.210

Transportation Fringe Benefits

Bus, tokens, carpool	\$315
Parking	\$315

Salary Test under FLSA

Administrative & Executive category	\$684 per week (1 July \$844)
Professional category	\$684 per week (1 July \$844)
Computer Professionals	\$27.63 per hour
Outside Salespersons	None

Tax Rates

Supplemental Rate	22%
Supplemental Rate - Wages > \$1,000,000	37%
Back Up withholding rate	24%
Excise tax rate on excess golden parachute payments	20%
Excise tax rate on early retirement plan distributions	10%

Garnishments - Disposable earnings limit

Child Support - supporting another spouse/children	50%
Child Support - supporting another spouse/children with arrears	55%
Child Support - not supporting another spouse/children	60%
Child Support - not supporting another spouse/children with arrears	65%
Creditor Garnishment	Lesser of 25% or 30 x min wage
Federal student loan	15%

Expatriate Limits

Foreign Income Exclusion Maximum	\$126,500
Base Housing Amount (16% of Foreign Income Exclusion of \$120,000)	\$20,240
Housing Cost Exclusion Limitation (30% of Foreign income exclusion Maximum)	\$37,950
Maximum Foreign Housing Cost Exclusion	\$17,710

VISA Types

VISA Types	Subject to FICA/FUTA
A - Employees of foreign governments	Exempt
B-1 - Business Visitors	Subject
C - Transit Aliens	Subject
D - Crew Members of Ships & Aircraft	Exempt

E - Treaty Traders and Investors	Subject
F - Students	Subject
G - Employees of international organizations	Exempt
H - Temporary workers and trainees (Certain H Visas)	Exempt
I - Foreign correspondent	Subject
J - Exchange Visitors	Exempt
K - Fiancé of US Citizen	subject
L - Intra-company transferees	Subject
M - Non academic students	Exempt
O - Aliens of extraordinary ability (arts, sciences, athletics)	Subject
P - Entertainers and athletes	Subject
Q - Participants in international cultural exchange programs	Exempt
R - Aliens working in religious occupations	Subject
TN - NAFTA Professionals	Canada Exempt/Mexico Subject

COLA Deferral Limits

401(k) - Private sector / Additional catch up contributions	\$23,000 / \$7,500
403(b) - Schools/Tax exempt organizations / catch up contributions	\$23,000 / \$7,500
408(k) - SEP (Simplified Employee Pension) / catch up contributions	\$23,000 / \$7,500
457(B) - State & Local government / catch up contributions	\$23,000 / \$7,500
SIMPLE (Savings Incentive Match Plan for Employee Small Employers)	\$15,500
SIMPLE - Catch up contributions	\$3,500
Annual IRA contribution	\$7,000
Age for retirement plan distribution not subject to 10% excise tax	59 1/2
Annual benefit limit for defined benefit plans	\$275,000
Annual compensation limit	\$345,000
Annual additions to defined contribution plan limit	\$69,000
Annual compensation minimum for 408(k) SEP plan eligibility	\$7,500
Highly compensated employee definition	\$155,000

Miscellaneous Limits

Adoption Assistance Exclusion	\$16,810
FSA Dependent Care	\$5,000
FSA Health Care	\$3,200
Education (Non job related)	\$5,250
Group Term Life Insurance (GTL) - Exempt amount	\$50,000
Dependent Group Term Life Insurance - Exempt Amount	\$2,000

FMV maximum for use of the cents per mile method <\$51,100

RULES OF THE ROAD

Regular Rate of Pay

Total Pay* / Total Hours Worked

**Total 'eligible' pay includes all non-discretionary payments*

Gross Up (Employer Paid Taxes)

Gross amount of earnings = Desired net payment / 100% - total tax %

Non Taxable Fringe Benefits

No additional cost services

Qualified employee discounts

Working condition fringes

De minimus fringes

Qualified transportation benefits

On premise athletic facilities

Qualified retirement planning services

Taxable Fringe Benefit

IFBA = FMV - (EPA + AEL)

Includable Fringe Benefit Amount = Fair Market Value - Employee Paid Amount + Amount Exclude by Law

Special Accounting Rule

Fringe benefits earned in November & December can be reported in subsequent year

Personal Use of Employer Provided Vehicles

Commuting Valuation Method

\$1.50 per one-way and \$3.00 per round trip commute

Annual Lease Valuation Method

ALV of cars (IRS table) x % of personal miles driven

Personal % use = Total miles driven / personal miles

Employer provided fuel = personal miles x \$0.67

Vehicle Cents Per Mile Method

Personal miles x standard mileage rate (2024 - \$0.67)

Employee Business Travel Expense Reimbursements

Must be accountable plan / expenses have business substantiation

Fixed Date Method

Advance provided no more than 30 days prior to incurring expense.

Substantiated within 60 days of incurring expense.

Excess returned within 120 days of incurring expense.

Periodic Statement Method

Employer issues periodic statement (minimum quarterly)

Substantiation within 120 days of notice

Golden Parachute Payments

Excess payment subject to additional 20% excise tax (Box 12 - Code K)

Taxable Sick Pay Under a Separate Plan

Employee's Sick Pay x (employer-paid premiums for last 3 years / total premiums for last 3 years)

Exempt from FICA and FUTA on sick payments made beyond 6 consecutive months.

Federal Deposit Rules

Look Backs Period for 2024 - July 1, 2022 to June 30, 2023

Monthly Deposit

< \$50,000 liability during look back period.

Due Date - each calendar month by 15th of the following month.

Semi-Weekly Depositor

> \$50,000 liability during look back period.

Due Date - Wages paid Wednesday, Thursday, Friday = Tax due by following Wednesday

Due Date - Wages paid Saturday, Sunday, Monday, Tuesday = Tax due by following Friday

Daily

> \$100,000 liability

Due Date - Next business day

Payroll Accounting**Balance Sheet Equation**

Asset = Liability + Equity (also Asset - Liabilities = Equity)

Income Statement Equation

Revenue - Expenses = Net Income

Statement of Retained Earnings Equation

Net Income - Income Distributed + Contributed Capital = Equity

Account Types and Normal Balance (All Little Cats Reach Exhaustion)

Asset = Debit

Liability = Credit

Contributed Capital = Credit

Equity = Credit

Revenue = Credit

Expense = Debit

Income Distributed = Debit

Payroll Management

Autocratic leadership - complete control; one way communication

Bureaucratic leadership - by the book; hides behind rules and regulations; inflexible

Diplomatic leadership - good interpersonal skills; sells on ideas, concepts, and rules

Participative leadership - gets input from staff; staff active part of decisions

Open Ended leadership - give free rein to employees to get job done

Situational leadership - adjusts management style to tasks and relationships of individuals

Supporting - Low Task - High Relationship

Coaching - High Task - High Relationship

Delegating - Low Task - Low Relationship

Directing - High Task - Low Relationship

Theory X - view that people are unmotivated ; don't like to work and requires close supervision

Theory Y - view that people enjoy work if fairly rewarded, seeks challenges, accepts responsibility

Theory Z - stresses decision making by group consensus, emphasis placed on achievement of group

Federal Tax Levy - Parts 3-4

Due within 3 days of Employee receiving Tax Levy (return parts to Employer)

If not returned to Employer - table (based on pay frequency) Married filing xxxxxxx.

Refer to Tables in Publication 1494

RECORD RETENTION

FLSA

3 years from last date of entry

Name; address; DOB; sex; occupation; beginning of workweek; regular rate of pay

3 years from 1st date in effect

Collective bargaining agreements; certificates authorizing employment

2 years from last date of entry

Basic employment/earnings records supporting data for hrs of work; basis of determining wages and wages paid (timecards); order, shipping and billing records; records substantiating deductions

IRS

4 years after due date of tax return period

Civil Rights Act (Title VII)

1 year from date of personnel action to which they relate

ADEA

3 years

IRCA

I-9 - The later of 3 years from date of hire or 1 year after termination.

FMLA

3 years

Allocated Tips

4 years after filing the 4th quarter for the year

Walsh Healey Public Contracts Act

5 years

FABULOUS FORMS

Employment Eligibility Verification	I-9
Application for Employer Identification Number	SS-4
Application for a Social Security Card	SS-5
Determination of Worker Status for Purposes of Federal Employment	
Taxes	SS-8

Employer Report of Special Wage Payments	SSA-131
Statement Concerning Your Employment in a Job Not Covered by Social Security	SSA-1945
Wage and Tax Statement	W-2
Transmittal of Wage and Tax Statements	W-3
Corrected Wage and Tax Statement	W-2C
Transmittal of Corrected Wage and Tax Statements	W-3C
Employee's Withholding Allowance Certificate	W-4
Withholding Certificate for Pension or Annuity Payments	W-4P
Withholding Certificate for Non Periodic Payments and Eligible Rollover D	W-4R
Request for Federal Income Tax Withholding From Sick Pay	W-4S
Application for IRS Individual Taxpayer Identification Number	W-7
Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding	W-8BEN
Request for Taxpayer Identification Number and Certification	W-9
Release of Levy/Release of Property from Levy	668-D
Notice of Levy on Wages, Salary, and Other Income	668-W
Statement For Claiming Benefits Provided by Section 911 of IRC	673
Claim for Refund and Request for Abatement	843
Employer's Annual Federal Unemployment (FUTA) Tax Return	940
Multi-State Employer and Credit Reduction Information	940 Sched A
Allocation Schedule for Aggregate Form 940 Filers	940 Sched R
Employer's Quarterly Federal Tax Return	941
Employer's Record of Federal Tax Liability	941 Sched B
Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations	941 Sched D
Allocation Schedule for Aggregate Form 941 Filers	941 Sched R
Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund	941-X
Employer's Annual Tax Return for Agricultural Employees	943
Agricultural Employer's Record of Federal Tax Liability	943-A
Employer's Annual Federal Tax Return	944
Annual Return of Withheld Federal Income Tax	945
Annual Record of Federal Tax Liability	945-A
Adjusted Annual Return of Federal Income Tax or Claim for Refund	945-X
Annual Withholding Tax Return for US Source Income of Foreign Persons	1042
Foreign Person's US Source Income Subject to Withholding	1042-S
Annual Summary and Transmittal of Form 1042-S	1042-T

Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Return	1094-C
Employer Provided Health Insurance Offer and Coverage	1095-C
Annual Summary and Transmittal of US Information Returns	1096
Long-Term Care and Accelerated Death Benefits	1099-LTC
Miscellaneous Income	1099-MISC
Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRA	1099-R
Distributions From an HSA, Archer MSA, or Medicare Advantage MSA	1099-SA
Contract Coverage Under Title II of the Social Security Act	2032
Payroll Deduction Agreement	2159
Foreign Earned Income	2555
Foreign Earned Income Exclusion	2555-EZ
Employer Appointment of Agent	2678
Power of Attorney and Declaration of Representative	2848
Moving Expenses	3903
Exercise of an Incentive Stock Option Under Section 422(b)	3921
Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423©	3922
Employee's Report of Tips to Employer	4070
Social Security and Medicare Tax on Unreported Tip Income	4137
Application for Filing Information Returns Electronically/Magnetically	4419
Application for Automatic Extension of Time to File	7004
Employer's Annual Information Return of Tip Income and Allocated Tips	8027
Transmittal of Employer's Annual Information Return of Tip Income and Allocated Tips	8027-T
Exemption From Withholding on Compensation for Independent (and Certain Dependent)	8233
Request for Waiver From Filing Information Returns Magnetically	8508
Reporting Agent Authorization for Magnetic Tape/Electronic Filers	8655
Application for US Residency Certification	8802
Application for Extension of Time to File Information Returns	8809
Credit for Employer Social Security & Medicare Taxes Paid on Certain Em	8846
Pre-Screening Notice and Certification Request for the Work Opportunity	8850
Third-Party Sick Pay Recap	8922
Application for Voluntary Classification Settlement Program (VCSP)	8952

Filing Statement

14196

BOX BUSTERS

W-2 Wage and Tax Statement

Wages, tips, other compensation	Federal income tax withheld	Box 1
Federal Income Tax withheld		Box 2
Social security wages		Box 3
Social security tax		Box 4
Medicare wages and tips		Box 5
Medicare tax withheld		Box 6
Social security tips		Box 7
Allocated tips		Box 8
Reserved for future use		Box 9
Dependent care benefits		Box 10
Nonqualified plans		Box 11
A - Uncollected social security tax on tips (A - Alcohol)		Box 12
B - Uncollected Medicare tax on tips (B - Beverage)		Box 12
C - Taxable cost of Group Term Life Insurance (C - Coffin or Coverage)		Box 12
D- Elective deferral to Section 401(k) (D - Deferred Comp)		Box 12
E - Elective deferral to Section 403(b) Salary Reduction Agreement		Box 12
F - Elective deferral to Section 408(k)(6) SEP		Box 12
G - Elective deferrals to Section 457(b)		Box 12
H - Elective deferral to section 501©(18)(D)		Box 12
J - Nontaxable sick pay (J - Just Sick)		Box 12
K - 20% excise tax on excess golden parachute payments (K - 24K gold)		Box 12
L - Substantiated employee business expense reimbursements (L - Lunch)		Box 12
M - Uncollected Social Security tax on GTL > \$50,000 (M - Metropolitan)		Box 12
N - Uncollected Medicare tax on GTL > \$50,000 (N - Metropolitan)		Box 12
P - Excludable moving expense reimbursements paid to employee (P - Packing)		Box 12
Q - Nontaxable Combat Pay (Q - HQ/Military Quarters)		Box 12
R - ER contributions to MSA plan (R - ER "employerR")		Box 12
S - SIMPLE - Section 408(p) (S - Simple)		Box 12
T - Adoption benefits (T - Toddler)		Box 12
V - Income from the exercise of nonstatutory stock options (V - Vesting)		Box 12
W- Employer contributions to an employee's Health Savings Account		Box 12

Z - Income under section 409A nonqualified deferred comp plans	Box 12
AA - Designated Roth contribution to a section 401(k) plan	Box 12
BB - Designated Roth contribution under a section 403(b) salary reduction plan	Box 12
DD - Cost of Employer-sponsored health coverage	Box 12
EE - Designated Roth contributions under a governmental 457(b) plan	Box 12
FF - Permitted benefits under a qualified small employer health reimbursement	Box 12
GG - Income from qualified equity grants under section 83(i)	Box 12
HH - Aggregate deferrals under section 83(i) elections as of the close of the year	Box 12
Check Only if Applicable - Statutory EE/Retirement Plan/Third Party Sick Pay	Box 13

940 Employer's Annual Federal Unemployment (FUTA) Tax Return

State abbreviation	Part 1: 1a
Multi-state employer check box	Part 1: 1b
Credit reduction state check box	Part 1: 2
Total payments to all employees	Part 2: 3
Payments exempt from FUTA tax	Part 2: 4
Fringe Benefits	Part 2: 4a
Group Term Life Insurance	Part 2: 4b
Retirement/Pension	Part 2: 4c
Dependent care	Part 2: 4d
Other	Part 2: 4e
Total payments made to each employee in excess of \$7,000	Part 2: 5
Subtotal	Part 2: 6
Total taxable FUTA wages	Part 2: 7

FUTA tax before adjustments

If all of the FUTA wages you paid were excluded from SUI	Part 3: 9
If some of the FUTA wages you paid were excluded from SUI	Part 3: 10
If credit reduction applies	Part 3: 11
Total FUTA tax after adjustments	Part 4: 12
FUTA tax deposited for the year	Part 4: 13
Balance due	Part 4: 14

Overpayment	Part 4: 15
Report your FUTA tax liability by quarter only if Line 12 is more than \$50	Part 5: 16
Report the amount of your FUTA tax liability for each quarter	Part 5: 16a-16d
Total tax liability for the year	Part 5: 17

941 Employer's Quarterly Federal Tax Return (Part 1 only)

Number of employees who received wages, tips, or other comp this qtr	Part 1: 1
Wages, tips, and other compensation	Part 1: 2
Federal Income tax withheld from wages, tips, and other compensation	Part 1: 3
If no wages, tips and other compensation are subject to SS /Medicare	Part 1: 4
Taxable social security wages	Part 1: 5a
Taxable social security tips	Part 1: 5b
Taxable Medicare wages and tips	Part 1: 5c
Taxable wages & tips subject to Additional Medicare Tax Withholding	Part 1: 5d
Add Column 2 from lines 5a, 5b, 5c and 5d	Part 1: 5e
Section 3121(q) Notice and Demand - Tax due on unreported tips	Part 1: 5f
Total taxes before adjustments	Part 1: 6
Current quarter's adjustments for fractions of cents	Part 1: 7
Current quarter's adjustments for sick pay	Part 1: 8
Current quarter's adjustments for tips and group-term life insurance	Part 1: 9
Total taxes after adjustments	Part 1: 10
Total deposits for this quarter	Part 1: 11
Balance due	Part 1: 12
Overpayment	Part 1: 13

***Refer to 941 for Parts 2, 3, 4*

RECOMMENDED READING

Circular E, Employer's Tax Guide	Pub 15**
Employer's Supplemental Tax Guide, Supplement to Circular E	Pub 15-A**
Employer's Tax Guide to Fringe Benefits	Pub 15-B**
2020 Federal Income Tax Withholding Methods	Pub 15-T**
Tax Guide for US Citizens and Resident Aliens Abroad	Pub 54
Travel, Entertainment, Gift and Car Expenses	463
Child and Dependent Care Expenses	503

Tax Withholding and Estimated Tax	505
Tax Calendars	509
US Tax Guide for Aliens	519
Moving Expenses	521
Taxable and Nontaxable Income	525
Reporting Tip Income	531
Business Expenses	535
Earned Income Credit (EIC)	596
How Do I Adjust My Tax Withholding?	919
Reporting Back Pay and Special Wage Payments to SSA	957

*** Recommended reading for CPP test preparation*

WONDERFUL WEBSITES

www.americanpayroll.org

www.laapa.org

www.irs.gov

www.socialsecurity.gov

www.dol.gov

www.justice.gov/agencies/index-org.html

www.ustreas.org

www.payrolluniversity.net

www.shrm.org

www.ascentis.com