

The following summarizes new payroll information for 2023 and reminders for year-end 2022.

Ⓢ Please pay special attention to items marked with this symbol.

Ⓢ CA Minimum Wage Increase:

On January 1, 2023, the California minimum wage for all employers will increase to \$15.50 per hour. The City of Santa Rosa's minimum wage increases to \$17.06 per hour.

Please also note that certain localities in California may have higher minimum wage rates than the state requirement.

Social Security Tax:

Effective January 1, 2023 the **Employer** percentage remains at 7.65% (6.2% FICA tax on wages, up to \$160,200 + 1.45% Medicare on all wages). The **Employee** paid FICA (6.2%) tax is also paid on wages up to the new FICA limit of \$160,200. Medicare tax is 1.45% of wages up to \$200,000. Over \$200,000 the rate for the **Employee** increases by 0.9%. Maximum FICA tax for employer and employee is \$9,932.40 each.

<u>Employer TAX %</u>	<u>WAGES</u>
7.65% (.0765)	\$ 0 - \$160,200
1.45% (.0145)	Over \$160,200
<u>Employee TAX %</u>	<u>WAGES</u>
7.65% (.0765)	\$ 0 - \$160,200
1.45% (.0145)	\$160,200-\$200,000
2.35% (.0235)	Over \$200,000

State Disability Tax (SDI):

The SDI rate for 2023 is 0.90% (.009). The wage limit is \$153,164. The maximum SDI payroll deduction for 2023 is \$1,378.48.

Federal Unemployment Tax (FUTA):

The employer FUTA rate is currently 0.6% (.006) of gross wages up to \$7,000.

Ⓢ California is once again considered a "Credit Reduction State", meaning it has borrowed from the Federal government to fund state unemployment benefits. The State of California has not repaid this loan within the mandated time. For 2022 the FUTA surcharge will be 0.3% (.003). Payment is due by January 31, 2023 when the annual 940 is filed.

State Payroll Deposits:

The California Personal Income Tax deposit threshold (PIT) is \$350 for 2023. If you make monthly or quarterly federal payroll tax deposits and your accumulated State PIT at the end of any month is \$350 or more, you must remit to the Employment Dev. Dept. both State Disability Insurance and PIT withholdings by the 15th of the following month. You are also required to use e-pay and pay online through the EDD website, <https://www.edd.ca.gov/PayrollTaxes/FileandPay.htm>

Quickbooks Users:

If you use Quickbooks for payroll you will need to change the Payroll Item – CA Unemployment Company to reflect your new UI rate for 2023 (the new rate was sent to you by the EDD in December) or can be accessed online at:

<https://eddservices.edd.ca.gov/tap/open/rateinquiry>

by entering your EDD employer account number. Also be sure you have updated your payroll tax tables **before doing the first payroll in 2023.**

Payroll Tax Withholding:

In late November, the IRS should have mailed your 2023 Tax Deposit Frequency Notice. Check this notice to determine if your deposit requirements have changed, and please forward a copy of this notice to our office.

W-2 Forms:

If we are preparing your W2's, please provide our office with your 2022 payroll information ASAP. This must include **SS#** and **current address** for every employee who worked for you during 2022. You will need to notify us of any earnings or tax information that is not part of your ordinary payroll, but needs to be reported on your employees W-2's.

Some of the items to consider are:

1. Health Savings Accounts or Medical Savings Account contributions.
2. Employer provided life insurance in excess of \$50,000.
3. Personal use of company provided vehicle (see paragraph on personal use of auto).
4. Taxable fringe benefits (Unsubstantiated Cash Payments, Health Club Memberships, etc.). Registered Domestic Partner Health Coverage.
5. Reportable qualifying employee gifts or awards.
6. Daycare paid on behalf of any employee also needs to be included on the employee's W2.

W-2 Forms Continued:

7. Health insurance for S-Corporation Shareholders:

Accident & health insurance premium payments on behalf of 2% and greater shareholder employees are required to be reported as Form W-2 wages. However, these wages are not subject to FICA and other payroll tax expenses.

As in the past, we will process the W-2 forms on first come, first serve basis with a minimum one-week turnaround.

❗ Please have all information to us no later than January 16, 2023 to ensure meeting the Federal reporting deadline of January 31, 2023 for providing both employees and the government with W2 information and the filing of the required payroll reports.

❗ Our office will be eFiling W3s and the government copies of W2s this year. You will receive an email with a copy of the forms which will need to be reviewed and approved prior to submission.

Additional Information re: the Inclusion of the cost of Employer Sponsored Health Coverage on the W-2:

Currently only those employers who file more than 250 W2 forms, for the year 2022, are required to report the employee health insurance cost on each employee's W2. Small employers are currently exempt from this requirement. In case of a future change to the law that would include small employers in this requirement, we suggest implementing an easy procedure to track each employee's annual health insurance cost to your business. By doing this, you will be prepared for any future changes to the current law.

1099 Forms:

As in the past, 1099 forms must be sent to any service, labor related person or non-corporate business that your business paid \$600 or more during 2022. All payments to medical corporations for amounts of \$600 or more need to be reported on a 1099. All payments to attorneys for \$600 or more must be reported whether incorporated or not. You must also send the forms for rents paid over \$600 and for interest and dividends over \$10.

Enclosed is a worksheet to use if you would like us to prepare your 1099's.

If the ID# given to you is a social security number, we must have the person's name, not a business name. If you are using a TIN# be sure to have the correct business name and individual's name, if applicable.

❗ We need to receive all information for each 1099 recipient in our office by January 16, 2023.

In the event we do not receive all the necessary information, we will assess additional charges for our time to gather this information in order to meet the January 31, 2023 deadline for both recipient and government copies.

❗ Our office will be eFiling 1096 and government copies of 1099s this year. You will receive an email with a copy of forms which will need to be reviewed and approved prior to submission.

We have seen an increase in penalties assessed by the IRS for non-compliance and untimely filed Forms 1096/1099. The penalties are at a minimum \$50 for each form filed late within 30

1099 Forms Continued:

days after the due date and up to \$290 for each form filed after August 1st.

If any failure to file a correct 1099 is due to intentional disregard of the filing requirements, the penalty is at least \$580 per form with no maximum penalty. Therefore we encourage you to bring in your **completed** 1099 information as soon as possible.

Independent Contractor Reporting Requirements:

You are required to report to EDD within 20 days of EITHER making payments totaling \$600 or more OR entering into a contract of \$600 or more with an independent contractor in any calendar year, whichever is earlier. You should report the information using EDD Form 542. This only applies to payments to individuals, not partnerships or corporations. There are penalties for non-compliance.

New Employee Reminder:

You must report all new employees within 20 days of hire (this includes people who were on the payroll previously and you have now re-hired) to the EDD on form DE34 or use a copy of the completed W-4. There are penalties for non-compliance. You may fax the DE34 or W-4 to the EDD (916) 319-4400. If using a copy of the W-4 you must include Employer name, address, EDD number & Federal ID number.

Retain in your files a completed W-4 and I-9 for each employee.

Please be sure you are using the current I-9 form that was issued by the Immigration Department in 2019 when hiring a new employee. Please note: a new revision is expected July 31, 2023. If you need any of these forms, please contact our office for copies.

Paid Sick Leave:

All California employers are required to provide paid sick leave to any California employee who works at least 30 days from the commencement of employment. The paid sick time accrues at the rate of one hour of sick time for every 30 hours worked. Please contact our office if you need further clarification on this State employment law.

Personal Use of Auto:

The Internal Revenue has enacted specific reporting guidelines for companies who provide their employees with vehicles. An employee's personal use of a company owned automobile (including commuting to and from work) must be treated as additional compensation to the employee. The amount of compensation to be included on the employee's W-2 is based on a lease-value table provided by the Internal Revenue Service. The value, which is shown in the table, is multiplied by the personal use percentage. It is the responsibility of the automobile user to provide the company with the total mileage for the year with a breakdown of personal mileage. When gasoline is provided by the employer, gasoline cost for personal miles must also be included in compensation at a rate of 65.5 cents per mile in order to comply with the directives of the IRS.

The new mileage rates for 2023 are as follows:

Business	65.5 cents
Charity	14 cents
Medical & Moving	22 cents

Personal Property Tax:

California businesses ***are required*** to file Form 571-L to declare their California business property tax base. The form is normally due March 31st, but may be extended. In Sonoma County, the extension date is May 8th.

ERISA Requirement for Group Health Insurance Plans:

ERISA has expanded to include health laws. If you provide group health insurance, you are required to provide participants in writing with a "Summary Plan Description" (SPD). The SPD is an important document that tells participants when they can begin to participate, how service and benefits are calculated, etc. Many employers mistakenly assume that insurance contracts, certificates of insurance and benefits summaries fulfill the ERISA requirements, but they do not. **We are aware of one company that will provide an ERISA Wrap document to help employers fulfill the ERISA requirements. Their contact information is as follows:**

Dustin Petty
BASE
(888) 386-9680 ext. 256

****Scam Alerts****

We are continually hearing of email scams, especially emails supposedly coming from a government agency. Government agencies do not send emails to individuals. We want to remind everyone not to click on any links contained in these emails. Always use caution before clicking on links contained in other emails as well. Please forward us any government notices received prior to payment.

We would like to take this opportunity to thank you for your continued support. If you have any questions regarding this information, please do not hesitate to contact any one of us at the office (707) 527-9465.

Our sincere best wishes to you for the New Year!

~ Duane, Karen, Karianne, Emma & Esa

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