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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Payroll Tax Deskbook

Twentieth Edition (October 2013)

Highlights of This Edition

The following are some of the important update features of the 2013 Edition of *PPC's Payroll Tax Deskbook*.

- **Additional 0.9% Medicare Tax.** Beginning in 2013, employers are responsible for withholding an additional 0.9% Medicare tax once an employee's wages from the employer exceed \$200,000 in a calendar year. This edition has detailed information on how this additional Medicare tax withholding is reported on payroll tax forms.
- **Benefits for Same-sex Spouses.** Based on the Supreme Court's decision in *Windsor*, the IRS has issued guidance regarding the tax-free treatment of benefits provided to legally married same-sex spouses. This edition has discussions on how an employer that has been taxing benefits provided to an employee's same-sex spouse can amend returns to recoup employment taxes.
- **FUTA Credit Reduction States.** Again in 2013, some states will be credit reduction states for FUTA tax purposes. Therefore, employers in those states will be subject to higher FUTA taxes. Information on the 2013 credit reduction states is included in the current edition.
- **Employee Leasing Arrangements.** In certain situations, an employer may enter into an agreement with a third party in which the third party handles employment tax obligations for the employer but does not meet the control-of-wages rules, and has not filed the required forms to be a reporting agent or payroll agent. The IRS has issued proposed regulations to assist taxpayers and the IRS in determining the employment tax obligations of each party in such arrangements. A discussion on these proposed regulations has been added in this edition.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Basic Principles of Employer Liability	<ol style="list-style-type: none"> 1. Beginning in 2014, employers must notify the IRS if there is a change in the identity of its responsible party. This update includes a discussion about this new reporting requirement. 2. This key issue is updated with information on completing the new version of Form I-9 (Employment Eligibility Verification) issued by the Department of Homeland Security. 3. In certain situations, an employer may enter into an agreement with a third party in which the third party handles employment tax obligations for the employer but does not meet the control-of-wages rules, and has not filed the required forms to be a reporting agent or payroll agent. The IRS has issued proposed regulations to assist taxpayers and the IRS in determining the employment tax obligations of each party in such arrangements. A discussion on these proposed regulations has been added in this edition. 	Key Issue 2A Key Issue 2A Key Issue 2F
CHAPTER 4 Employee Leasing	<ol style="list-style-type: none"> 1. This update includes information on new proposed employment tax regulations under IRC Sec. 3504 that may affect employee leasing arrangements. 	Key Issue 4B

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<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 5 Principles of Worker Classification	<ol style="list-style-type: none"> 1. A discussion on the Department of Labor's increased emphasis on worker classification has been added in this edition. 2. A discussion on a court case regarding the treatment of workers performing dual services (employee and independent contractor) has been added in this update. 	Key Issue 5A Key Issue 5D
CHAPTER 6 Common Law Control Rules	<ol style="list-style-type: none"> 1. This edition has a discussion on a court case involving workers hired on a project-to-project basis in which the court ruled the workers should be classified as employees based on the control exercised by the owner and the workers' importance to the business. 2. The discussion on the Form SS-8 program was updated with information from a 2013 Treasury Inspector General of Tax Administration report. 	Key Issue 6B Key Issue 6F
CHAPTER 8 Section 530 Relief	<ol style="list-style-type: none"> 1. A new discussion was added in this edition that explains how Section 530 relief is handled when a worker classification determination has not been made. 	Key Issue 8A
CHAPTER 10 Basic Principles of Compensation and Fringe Benefits	<ol style="list-style-type: none"> 1. Information was added in this key issue on how the earnings on deferred compensation are treated for purposes of the 3.8% net investment income tax. 2. This edition includes an example of how the additional 0.9% Medicare tax is calculated on deferred compensation. 	Key Issue 10F Key Issue 10F
CHAPTER 11 Cafeteria Plans, and Dependent Care, Educational, and Adoption Assistance	<ol style="list-style-type: none"> 1. This edition includes information on an IRS notice that allows participants to carry over up to \$500 in unused health FSA funds from one plan year to the next. 	Key Issue 11B
CHAPTER 12 Health Insurance, Life Insurance, and Retirement Plans	<ol style="list-style-type: none"> 1. Information on the <i>Windsor</i> case, in which the Supreme Court ruled that tax-free benefits can be provided to legally married same-sex spouses, has been added in this edition. 2. The deductible amounts for long-term care premiums have been added in this key issue. 	Key Issue 12A Key Issue 12F
CHAPTER 13 Expense Reimbursement Plans	<ol style="list-style-type: none"> 1. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. Information on how the additional 0.9% Medicare tax applies to taxable fringe benefits has been added throughout this chapter. 2. The IRS uses the General Services Administration (GSA) definition of the term <i>incidental expenses</i>. This update has a discussion on the changes GSA recently made to the definition that can affect how certain travel expenses are reimbursed. 	Throughout Chapter Key Issue 13E
CHAPTER 14 Form W-4 (Employee's Withholding Allowance Certificate)	<ol style="list-style-type: none"> 1. This edition includes information on how the Supreme Court's decision in the <i>Windsor</i> case may impact the withholding requirements for employees who are legally married to a same-sex spouse. Such employees may need to file a new Form W-4 to adjust their federal income tax withholding. 	Key Issue 14B

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 15 Regular Payroll Withholding	1. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. This chapter has been updated to reflect this new withholding responsibility.	Throughout Chapter
CHAPTER 16 Special Withholding Situations	1. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. These key issues have been updated to reflect this new withholding responsibility. 2. As a result of the Supreme Court's decision in <i>Windsor</i> , the IRS recently issued guidance that explains refund and credit opportunities on overpaid employment taxes on certain benefits provided to legally married same-sex spouses. A note has been added referring to this guidance.	Key Issues 16A, 16B, and 16D Key Issue 16D
CHAPTER 18 The Earned Income and Work Credits	1. Without new legislation, the WOTC will not apply to wages paid to employees hired after 2013. Cautions have been added to this key issue reminding employers of the expiration date of this tax benefit. 2. A practice tip has been added about refunds that may be available to certain small employers that pay differential wages to employees on military leave. This opportunity is due to the retroactive restoration of the differential wage payment credit in the ATRA. 3. A caution has been added in this key issue that, unless extended by legislation, the differential wage payment credit will not be available for wages paid after 2013.	Key Issue 18B Key Issue 18C Key Issue 18C
CHAPTER 19 Schedule H (House- hold Employment Taxes) of Form 1040	1. Schedule H has been updated to provide for the additional 0.9% Medicare tax withholding in applicable situations. The discussion has been updated to reflect this change.	Key Issue 19E
CHAPTER 20 Form 941 (Employer's Quarterly Federal Tax Return)	1. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. This chapter has been updated with information on reporting the additional 0.9% Medicare tax withholding. 2. A new version of Form 941-X has been issued by the IRS. The discussion in this key issue explains the new line added on this form to report corrections for the additional 0.9% Medicare tax withholding. 3. As a result of the Supreme Court's decision in <i>Windsor</i> , the IRS has recently issued guidance that explains refund and credit opportunities on overpaid employment taxes on certain benefits provided to legally married same-sex spouses. A new key issue has been added in this update that explains how employers can correct for overwithheld payroll taxes when fringe benefits provided to a legally married same-sex spouse were included in the employee's taxable income.	Throughout Chapter Key Issue 20H Key Issue 20K
CHAPTER 21 Form 944 (Employ- er's Annual Federal Tax Return)	1. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. This chapter has been updated with information on reporting the additional 0.9% Medicare tax withholding on Form 944.	Throughout Chapter

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 22 Form 943 (Employer's Annual Federal Tax Return for Agricultural Employees)	<ol style="list-style-type: none"> 1. Beginning in January 2014, Form 943 can be filed electronically with the IRS. This edition includes information on filing the 2013 Form 943 electronically. 2. Beginning with wages paid in 2013, employers must withhold an additional 0.9% Medicare tax from an employee's wages once the employee's calendar-year FICA wages exceed \$200,000. This key issue has been updated with information on reporting the additional 0.9% Medicare tax withholding on Form 943. 	Key Issue 22D Key Issue 22E
CHAPTER 23 Form 945 (Annual Return of Withheld Federal Income Tax)	<ol style="list-style-type: none"> 1. Beginning in January 2014, taxpayers are allowed to file Form 945 electronically. This key issue has been updated with information on filing the 2013 Form 945 electronically. 	Key Issue 23B
CHAPTER 24 Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return]	<ol style="list-style-type: none"> 1. Again in 2013, some states will be credit reduction states for FUTA tax purposes. Therefore, employers in those states will be subject to higher FUTA taxes. This key issue includes information on the 2013 credit reduction states. 	Key Issue 24B
CHAPTER 25 Form W-2 (Annual Wage and Tax Statement)	<ol style="list-style-type: none"> 1. A discussion on determining when sick pay is subject to the additional 0.9% Medicare withholding tax if a third-party makes sick pay payments on an employer's behalf has been added in this key issue. 2. Certain small employers are not required to report the aggregate cost of health insurance on Form W-2. Additional information on this reporting relief has been added in this edition. 3. This update includes information on certain scenarios under which the Social Security Administration will verify an employee's social security number (SSN) over the telephone. 4. The discussion on correcting an employee's SSN on Form W-2 has been enhanced in this edition. 5. As a result of the Supreme Court's decision in <i>Windsor</i>, the IRS has recently issued guidance that explains refund and credit opportunities on overpaid employment taxes on certain benefits provided to legally married same-sex spouses. A discussion on corrections to 2013 and prior-year income and payroll taxes withheld that are attributable to fringe benefits provided to a legally married same-sex spouse is included in this update. 	Key Issue 25G Key Issue 25I Key Issue 25J Key Issue 25J Key Issue 25J
CHAPTER 27 Forms 1099-MISC and 1099-R	<ol style="list-style-type: none"> 1. A discussion has been added in this key issue about IRS guidance that clarifies how settlements for back wages, front pay, or severance pay should be reported. 2. This update includes information on recently issued IRS guidance explaining how lease bonus income should be reported on Form 1099-MISC. 	Key Issue 27A Key Issue 27A
CHAPTER 28 Forms 1099-DIV (Dividends and Distributions) and 1099-INT (Interest Income)	<ol style="list-style-type: none"> 1. Based on the draft 2014 Form 1099-INT available when this <i>Deskbook</i> was published, additional information must be reported on the form for 2014. A discussion on the new reporting requirements for accrued market discount and amortized bond premiums has been added to this key issue. 	Key Issue 28D

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 30 The Trust Fund Recovery Penalty	<ol style="list-style-type: none"> 1. The IRS has recently added a new tool to its website that assists in determining if an individual is eligible for an offer in compromise regarding tax liabilities. Information on this tool is included in this update. 2. References to several recent court decisions involving the determination of who is a responsible person for purposes of the trust fund recovery penalty have been added to this key issue. 3. Letter 1153W is now used by the IRS to notify a taxpayer that the proposed trust fund recovery penalty is being rescinded. Information on this new letter is in this update. 	Key Issue 30A Key Issue 30B Key Issue 30D
CHAPTER 31 Penalties	<ol style="list-style-type: none"> 1. The First Time Abate (FTA) policy is a little known IRS program that provides penalty relief associated with the failure to file, failure to pay, and failure to deposit. The IRS recently revised the conditions that a taxpayer must meet to qualify for penalty relief under FTA. This update includes information on these conditions. 2. Several paid tax return preparers recently filed suit against the IRS in an attempt to prevent the IRS from enforcing its regulatory scheme for registering paid tax return preparers. This case resulted in the IRS refunding certain fees associated with the testing process and suspending its requirement that paid preparers pass a competency test and receive continuing education. The injunction against the IRS is discussed in this key issue. 	Key Issues 31A, 31E, and 31F Key Issue 31G
CHAPTER 32 Garnishments, Levies	<ol style="list-style-type: none"> 1. Employers that utilize the Office of Child Support Enforcement’s e-IWO program are able to transmit information to and receive information from the states electronically. The discussion on this program has been expanded in this update. 	Key Issue 32D
QRB—IRS Rates and Allowances	<ol style="list-style-type: none"> 1. All tables are updated to reflect the most current amounts. 	
QRB—Tax Law Tables and Summaries	<ol style="list-style-type: none"> 1. All tables are updated for the latest IRS guidance. 	
QRB—Payroll and Infor- mation Forms	<ol style="list-style-type: none"> 1. All forms are updated to reflect the most recent version available when this <i>Deskbook</i> was published. 	