



Your Trusted Advisor

# Payroll Newsletter

Keeping You Informed for 2019

With the New Year upon us, we would like to update you on some payroll matters for 2019 along with some reminders.

## Payroll Reminders

- ☛ Christmas bonuses should be included in payroll information. In-kind gifts less than \$25.00 are excluded. Gift cards are considered cash and should be included with wages.
- ☛ Update all employee addresses and local PSD codes so the W-2 is correct.
- ☛ Thinking about raises? The social security administration released the cost of living increase for 2018 of 2.8%.
- ☛ S corporation shareholder health insurance must be reported on the W-2. Other employee health insurance is not required to be reported on W-2's for employers with less than 50 employees.
- ☛ Do your employees/owners use a company car? Personal use of a business vehicle must be added to the employee's W-2. There are several methods to calculate the taxable portion of vehicle use. Contact our office to determine the appropriate method.

## Uncashed Paychecks

Pennsylvania requires funds from uncashed paychecks be sent to the Bureau of Unclaimed Property for safekeeping. Uncashed checks may NOT simply be voided on the company's books. Similarly, wages reported on the W-2 may NOT be reduced for uncashed checks. States have differing timelines for reporting uncashed checks, but Pennsylvania requires funds to be turned over to the state within two years.

More employers are moving to direct deposits to solve the uncashed paycheck issues, but this cannot be mandated to employees. This could be part of an employer/employee agreement. Please contact our office to help you go paperless.

## Paystub Requirements

An employer must provide a statement listing wages, hours worked, pay rate, gross wages, deductions and net wages. The statement can be paper or electronic.

## Retirement Plans

Maximum SIMPLE plan deferrals for 2019 are \$13,000 plus a \$3,000 "catch up" provision for employees who are age 50 by the end of 2019. This plan must be in place by October 1, but it would be a great time to start one for 2019.

Other retirement plans, including 401(k), have a maximum deferral of \$19,000 plus "catch up" provisions of \$6,000. This plan can be set up until December 31 for 2018, but you need to act quickly.

SEP plans remain at a maximum contribution of 25% of wages capped at an individual total of \$56,000. A SEP can be set up for 2018 through the due date of your tax return including extensions.

## Proposed changes

Pennsylvania's minimum wage might increase from \$7.25 in 2019. Pennsylvania is also looking at salary level to be increased to \$31,720 annually, with it increasing on a regular basis.

**Willow Street Office:** 717-464-2951 \* 2733 Willow Street Pike N, Willow Street, PA 17584

**Ephrata Office:** 717-733-2218 \* 226 S Reading Road, Ephrata, PA 17522

**Website:** [www.Covenant-CPA.com](http://www.Covenant-CPA.com)

## **Documentation**

The “new hire” requirements remain the same for 2019. Each employee must complete Form I-9, Form W-4, and Certificate of Residence. Employers are mandated to require a new certificate of residency form for any employee who changes his or her address. Employers must keep these forms on file and file a PA New Hire form either online or by fax within 20 days of the new hire.

Employers must also notify employees whether or not they provide health insurance.

For your convenience, we have enclosed a copy of each form.

## **Federal Withholdings**

Remember to use the charts in Publication 15 if you are not using QuickBooks® payroll to determine the correct amount of federal withholding tax. You can download the Publication from our website at [www.Covenant-CPA.com](http://www.Covenant-CPA.com) under client resources → helpful links → federal resources → Internal Revenue Service and use the search feature on that page. You will also find the Form W-4 there.

You must use EFTPS to make all federal payroll tax deposits and the frequency is determined by the type of payroll tax and the amount due. Do not ignore a change of frequency notice. Form 941 filers must remit monthly after their federal tax deposit is over \$2,500/quarter.

## **Social Security & Medicare (FICA)**

The social security percentage will remain at 6.2% for the employee and employer.

The social security wage base will increase to \$132,900.

The Medicare portion is an unlimited wage base and all wages earned are subject to the 1.45% rate for the employee and employer. Employees with wages greater than \$200,000 will pay an additional 0.9%.

## **Federal Unemployment Tax (FUTA)**

Remains at 0.6% on the first \$7,000 of wages paid unless the employer is exempt\*.

## **Pennsylvania Withholdings**

The rate remains unchanged at 3.07%. Employers that report a withholding liability of \$1,000 or more must pay electronically using e-tides.

Payment frequency is dependent on your tax liability. If you are withholding less than \$300, the payments are quarterly, \$300 - \$999 are monthly and over \$1,000 for semiweekly. Changes of frequency notices have been mailed by Pennsylvania to employers whose filing frequency changed for 2019.

The Department of Revenue recently changed the electronic filing requirement threshold for W-2 forms. Employers who file 10 or more W-2 forms with the department are now required to file those forms electronically.

## **Pennsylvania Unemployment Compensation**

The new employer rate will be mailed by December 31, 2018 to be paid on the first \$10,000 of wages paid. If you are using QuickBooks, be sure to update the rate in the payroll items lists. The employee rate will remain at 0.06% on all wages unless the employer is exempt\*.

## **Local Withholdings**

The tax is based on the school district and municipality in which the employee resides. Each employer is required to have a Certificate of Residence on file for each employee. The rates and PSD codes can be found at [www.lctcb.org/employer](http://www.lctcb.org/employer).

## **LST**

This tax amount and the agency that collects it are based on the school district and municipality where the business is located.

An employee may be exempt, but an exemption certificate must be completed each tax year.

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\* Exempt employers include churches and some agricultural employers. The farm must employ less than 10 employees for any part of a day in 20 or more calendar weeks in the current or preceding calendar year or pay less than \$20,000 in wages in any calendar quarter of the current or preceding calendar year.