

# 2008 Year End Payroll and Information Reporting Update

## **Employer Payroll Update Effective January 1, 2009**

The start of a new year is a busy time. This payroll update will assist you with your year end payroll taxes, W-2's & 1099's as well as update you on any changes. We have summarized information and amounts from several publications as well as new limits for 2009 for you to use as a resource. Some changes for 2009 are listed below.

### **SOCIAL SECURITY**

The combined social security rate for 2009 stays at 7.65%. The Medicare portion of social security has no taxable wage limit and the FICA wage base increases from \$102,000 to \$106,800 for 2009.

### **W-2's**

There are no changes to the W-2 form for 2008.

### **W-3's**

There are no changes to the W-3 form for 2008.

### **UNEMPLOYMENT TAXES**

Unemployment wage limits for 2009 are \$12,000 for Wisconsin and \$7,000 for federal purposes. The federal rate will be 6.2% in 2009. If state contributions are paid on time, the state credit remains at 5.4%, resulting in a net federal rate of .8%. New rates for Wisconsin for 2009 can be found at <http://www.dwd.state.wi.us/ui/employers/taxrates.htm>. Please be sure to update the rates on your computer payroll software prior to your first payroll in 2009 or forward the new rate to your payroll processor. Also, remember to check the officer exclusion calculation to determine if it is still beneficial for your company.

Wisconsin offers internet filing of the Quarterly Contribution Report, Form UC-101, and requires employers with more than 100 employees to file electronically or on magnetic media. Wisconsin also has an electronic funds transfer program that can be used to pay withholding and unemployment taxes.

New employers in Wisconsin in 2009 pay either 3.25% if their taxable payroll is less than \$500,000 or 3.4% if it is \$500,000 or more. New construction employers pay 6.60%. This is unchanged from 2008.

### **MILEAGE RATE**

The business rate for 2008 was 50.5 cents per mile through June 30, 2008 and 58.5 cents per mile from July 1, 2008 through December 31, 2008. The medical/moving rate for 2008 was 19 cents per mile through June 30 and 27 cents per mile from July 1 through December 31. The mileage rate in 2008 for charitable purposes was 14 cents per mile for the entire year. As of this update, the IRS has not yet announced a mileage rate increase for 2009.

### **QUALIFIED PENSION PLANS**

For the year 2009, the maximum annual elective deferrals under 401(k) plans, Section 403(b) annuities and salary reduction SEPs increases to \$16,500, with an additional catch up contribution for those age 50 or over of \$5,500. The maximum annual elective deferral for SIMPLE 401(k) plans is \$11,500 for 2009.

Employee SIMPLE catch up contributions for those ages 50 or over stay at \$2,500 for 2009.

### **RECONCILING SALES TAX REPORTS**

Compare the receipts you reported on your sales tax returns to the total income shown on your financial statements. A variance here would likely be examined if you became subject to a sales tax audit. If there are large discrepancies that you are unable to account for and would like assistance with reconciling, please give us a call.

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## WHAT FORMS NEED TO BE FILED?

Year end reporting for employees & other payments can be very confusing. There are numerous reports to file with the IRS and the state that reconcile different things. Following is a brief summary of each of the reports that need to be filed and what the report is for.

### Form 941 Employer's Quarterly Federal Tax Return

Form 941 is a quarterly report filed with the IRS. The 941 reconciles wages paid & tax deposits made. The IRS uses this report to determine if tax deposits are made on a timely basis. The IRS mails copies in advance of the filing date. Quickbooks users are able to print one out of the software. If you are a new employer you can either print one off the IRS website or use their fill-in form also available on the website [www.irs.gov](http://www.irs.gov). Even if you do not have wages for any given quarter the report still needs to be filled in with zeros. The report is due by the last day of the month following the end of a quarter such as April 30<sup>th</sup>, July 31<sup>st</sup>, October 31<sup>st</sup>, and January 31<sup>st</sup>. If any of these dates fall on a weekend or legal holiday, the return is due the next business day.

Any payment due with this return can be paid using the payment voucher attached to the form, or paid online via EFTPS.

### Form 944 Employer's Annual Federal Tax Return

Form 944 – some employers with small payrolls, including government employers, will file this form instead of filing form 941 each quarter. Generally, if you have annual liability of \$1,000 or less for withheld income tax, social security and Medicare tax, you may file form 944. This form is due February 2, 2009 for the 2008 year-end payroll.

### Form 940 Employer's Annual Federal Unemployment Tax Return

Form 940 is an annual report filed with the IRS. The 940 reconciles federal unemployment tax (FUTA) for the year. The report is due by February 2, 2009. FUTA is taxed on the first \$7,000 in wages paid to an employee in the calendar year. FUTA tax should be calculated quarterly, but needs to be paid only if your quarterly liability exceeds \$500. This tax is paid with an 8109 coupon taken to your bank or can be paid with EFTPS. Copies of form 8109 can be obtained by calling the IRS at 1-800-829-4933. Quickbooks users are able to use the printed version in the software.

### Wisconsin WT-7 Employer's Annual Reconciliation of Wisconsin Income Tax Withhold from Wages

Wisconsin's WT-7 is an annual report filed with the Wisconsin Department of Revenue. This report will be mailed to all holders of an active Wisconsin Tax ID number during the month of December 2008. This form may also be filed online at <http://www.revenue.wi.gov/forms/with/index.html>. This form is processed electronically, so only the preprinted form or the online form should be used. This report summarizes Wisconsin withholding for the year on a quarterly basis. The WT-7 is due February 2, 2009 with the state copy of the W-2 attached or by electronic payments.

The Wisconsin withholding tax is paid via a WT-6. Beginning in July, 2008, the State of Wisconsin stopped issuing WT-6 coupon booklets to employers. Employers must now submit their withholding deposits either online or using the form printed from the WI DOR website. The state assigns a reporting period based on the amount being withheld.

### Wisconsin UC-101 Quarterly Contribution /Wage Report

The UC-101 is filed with the Department of Workforce Development. The UC-101 reports unemployment tax and wages per employee. The report and tax payments *must be received by the WI DWD* by the last day of the month following the end of a quarter (4<sup>th</sup> quarter 2008 is due on January 31, 2009). **Beginning with the fourth quarter of 2008, a postmark on or before the due date is no longer sufficient.** Wisconsin unemployment tax (SUTA) is taxed on the first \$12,000 (starting in 2009) in wages paid to an employee in the calendar year. This may be electronically filed and paid quarterly. **Beginning with the fourth quarter of 2008, businesses with 25 or more employees *must* file this form online.**

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## W-2 & W-3's

W-2s reconcile wages reported on the quarterly 941s, and also report both employee and the IRS wages paid.

**It is the employer's responsibility to file a W-2 for each employee. If W-2s are not filed on a timely basis, the IRS can impose a penalty for failure to file or for late filings. The penalty can be as much as \$50 per W-2 to a maximum of \$250,000 per year. Employee copies B, C, and 2 need to be sent to the employee by February 2, 2009. Attach Wisconsin copy 1 to the Wisconsin WT-7 and mail or file online by February 2nd. The Social Security Administration copy A needs to be mailed by March 2<sup>nd</sup> (March 31<sup>st</sup> if filing electronically which does not include magnetic media).**

The W-3 is a summary page filed with the W-2s. The W-3 summarizes total wages by employer on a calendar year

If you are required to file 250 or more W-2s, you must file them electronically.

### Reconciling Wage Reports to Form W-2

Be sure to verify that certain information reported in the wage reports equals items reported on the W-2s. For quarterly Form 941 filers, the following totals should agree with the corresponding boxes on form W-3.

#### Form 941

#### Form W-3

Line 3- Adjusted income tax withheld	Box 2
Line 5a-Taxable social security wages	Box 3
Line 5b-Taxable social security tips	Box 7
Line 5c-Taxable Medicare wages and tips	Box 5

(For line 5a, 5b, and 5c, be sure to use the wage amounts, not the tax.)

The following table illustrates the treatment of certain taxable fringe benefits on employees' Form W-2.

401(k)	Reduces taxable wages in box 1; Report in box 12 using code D; Check "Retirement Plan" box in 13
403(b)	Reduces taxable wages in box 1; Report in box 12 using code E; Check "Retirement Plan: checkbox in 13
408(k)(6)SEP	Reduces taxable wages in box 1; Report in box 12 using code F; Check "Retirement Plan" checkbox in 13
Adoption Benefits	Report amount in box 12 using code T
Allocated tips	Report amount in box 8
Company paid Dependent Care	Report amount in box 10
Company paid Medical Savings	Report amount in box 12 using code R
Dependent Care FSA	Reduce taxable wages in box 1; Reduce social security wages in box 3; Reduce Medicare wages in box 5; Report in box 10
Fringe Benefits	Increase taxable wages in box 1; Report in box 12 using appropriate code
Medical Care Flexible Spending	Reduce taxable wages in box 1; Reduce social security wages in box 3; Reduce Medicare wages in box 5
Non-qualified Plan Distribution	Increase taxable wages in box 1; Report in box 11
Non-taxable sick pay	Report amount in box 12 using code J
Other items	Report amount in box 14

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Other moving expenses	Increase taxable wages in box 1; Report in box 12 using code P
Personal use of Company Vehicle	Report amount 1 and box 14
Premium Only Plan	Reduce taxable wages in box 1; Reduce social security wages in box 3; Reduce Medicare wages in box 5
Qualified Moving Expense	Report amount in box 12 using code P
Reported Tips	Increase taxable wages in box 1; Report in box 7
S-Corporation Company Paid Medical Premiums for Shareholders	Increase taxable wages in box 1; Report in box 14
SIMPLE IRA	Reduce taxable wages in box 1; Report in box 12 using code S; Check "Retirement Plan" checkbox in 13
Taxable Group Term Life	Increase taxable wages in boxes 1, 3, and 5; Report in box 12 using code C
Employer's contribution to Employee's Health Savings Account	Report amount in box 12 using code W

A summary of the codes used in box 12 of the W-2's follows:

A	Uncollected social security tax on tips
B	Uncollected Medicare tax on tips
C	Taxable cost of group-term life insurance over \$50,000
D	Elective deferrals under a section 401(k) plan including SIMPLE 401(k) plans
E	Elective deferrals under a section 403(b) plan
F	Elective deferrals under a section 408(k)(6) or SEP plan
G	Elective deferrals and employer contributions (including non-elective deferrals) under a section 475(b) plan
H	Elective deferrals under a section 501(c)(18)(D) plan
J	Non-taxable sick pay
K	20% excise tax on excess "Golden Parachute" payments
L	Substantiated employee business expense reimbursements
M	Uncollected social security tax on group life insurance coverage over \$50,000 for former employees including retirees
N	Uncollected Medicare tax on taxable cost of group life insurance coverage over \$50,000 for former employees including retirees
P	Excludable moving expense reimbursements paid directly to employee
Q	Nontaxable combat pay
R	Employer contributions to an Archer Medical Savings Account
S	Employee salary reduction contributions under section 408(p) SIMPLE
T	Adoption benefits
V	Income from the exercise of non-statutory stock option(s)
W	Employer contributions to a Health Savings Account (HSA)
Y	Deferrals under a section 409A nonqualified deferred compensation plan
Z	Income under a section 409A nonqualified deferred compensation plan
AA	Designated Roth contributions to a section 401(k) plan
BB	Designated Roth contributions under a section 403(b) salary reduction agreement

Box 13: Be sure to check "retirement plan" if your employees were eligible to participate in any type of retirement plan for any part of the calendar year.

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Box 14: Any other information you wish to report to your employees goes here. Some examples include but are not limited to:

- Health insurance premiums deducted
- Employer provided vehicle (see the Annual Lease Value Table before the reminders section of this notice)
- Moving expenses paid
- Union dues
- Uniform payments
- Educational assistance payments

## 1099s/1096

Form 1099 reports items such as interest paid, rents paid, payments to attorneys, cancellation of debt, and dividend or distributions paid. These payments are to be reported if they are paid to any individual or reporting entity other than a corporation in the ordinary course of business. Generally payments to corporations do not need to be reported, but there are exceptions with the main exception being attorneys. Any payment to an attorney is reportable on 1099-MISC. Form 1099 must also include the telephone number of the individual who can answer questions about the statement on the recipient copy.

**The recipient copy is to be received by February 2nd.** Non-corporations must file the Wisconsin copy by February 28, 2009. Corporations may file the Wisconsin copy of 1099's for rents/royalties only by March 15, 2009. The IRS copy is to be mailed by March 2, 2008.

Form 1096 summarizes the information on the 1099s. A separate 1096 needs to be sent for each type of 1099.

If a form 1099 is to be issued, the recipient is required to provide a Federal Employer Identification number (FEIN) or Social Security Number. The IRS has form W-9 available to assist you in obtaining this information. If the recipient fails to provide an ID number to you, payments are subject to backup withholding. Please note that if a FEIN is provided, the recipient name on the 1099 must include the business name for which the FEIN was issued—the name of the individual owner of the business is not sufficient. Conversely, if a SSN is provided, the individual must be listed as the 1099 recipient. Failure to show corresponding individual/business names with SSNs and FEINs will result in a mismatch at the IRS.

## Form 1099 Types with Instructions:

Form	Description	What to report	Amounts
1099-A	Acquisition or abandonment of secured property	Information about the acquisition or abandonment of property that is security for a debt for which you are the lender	All amounts
1099-B	Proceeds from broker and barter exchange transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions	All amounts
1099-C	Cancellation of debt	Cancellation of debt owed to a financial institution, the Federal Government, a credit union, RTC, FDIC, NCUA, a military department, the U.S. Postal Service, the Postal Rate Commission, or any organization having a significant trade or business of lending	\$600 or more
1099-DIV	Dividends and distributions	Distributions, such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock, and liquidation distributions	\$10 or more, except \$600 or more for liquidations
1099-G	Certain government payments	Unemployment compensation, state and local income tax refunds, agricultural payments, and taxable grants	\$10 or more for refunds and unemployment; \$600 or more for all others
1099-INT	Interest income	Interest income	\$10 or more (\$600 or more in some cases)

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1099-LTC	Long-term care and accelerated death benefits	Payments under a long-term care insurance contract and accelerated death benefits paid under a life insurance contract or by a viatical settlement provider	All amounts
<b>Form</b>	<b>Description</b>	<b>What to report</b>	<b>Amounts</b>
1099-MISC	Miscellaneous income	Rent or royalty payment; prizes and awards that are not for services, such as winning on TV or radio shows	\$600 or more, except \$10 or more for royalties
		Payments to a physician, physicians' corporation or other supplier of health and medical services. Issued mainly by medical assistance programs or health and accident insurance plans	\$600 or more
		Payments for services performed for a trade or business by people not treated as employees. Examples: Fees to subcontractors or directors and golden parachute payments	\$600 or more
		Fish purchases paid in cash for resale	\$600 or more
		Substitute dividend and tax-exempt interest payments reportable by brokers	\$10 or more
		Crop insurance proceeds	\$600 or more
		Gross proceeds paid to attorneys	All amounts
		Gross proceeds paid to accountants	\$600 or more
1099-OID	Original issue discount	Original issue discount	\$10 or more
1099-PATR	Taxable distributions received from Cooperatives	Distributions from cooperatives to their patrons	\$10 or more
1099-MSA	Distributions from an Archer MSA or Medicare	Distributions from an Archer MSA or Medicare+Choice MSA	All amounts
1099-R	Distributions from pensions, annuities, Retirement or profit-sharing plans, IRAs, insurance contracts, etc	Distributions from retirement or profit-sharing plans, any IRA, or insurance contracts, and IRA recharacterizations	\$10 or more
1099-S	Proceeds from Real Estate Transactions	Gross proceeds from the sale or exchange of real estate	Generally, \$600 or more

### Important Filing Due Dates:

#### **Form Name & Number**

#### **Due: February 2, 2009**

#### **Due March 2, 2009**

Employee's copy of W-2	X	
Wisconsin copy of W-2 (Attached to Form WT-7)	X	
Recipient copies of Form 1099	X	
Wisconsin Form WT-7 (with state copies of W-2 attached)	X	
Federal Form 941	X	
Federal Form 944	X	
Federal Form 940 (Federal Unemployment)	X	
Federal copies of W-2 & W-3		X
Federal copies of Form 1099 and 1096 (March 31, 2009 if filing electronically)		X
Wisconsin copy of Form 1099 (Corporate rent/royalty only due March 15, 2009)		X

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## Important Mailing Addresses (for businesses located in Wisconsin):

<b>Form Name &amp; Number</b>	<b>Address Without Payment</b>	<b>Address With Payment</b>
Form 941	Internal Revenue Service Cincinnati, OH 45999-0005	Internal Revenue Service P O Box 804522 Cincinnati, OH 45280-4522
Form 940	Internal Revenue Service Cincinnati, OH 45999-0046	Internal Revenue Service P O Box 804521 Cincinnati, OH 45280-4521
Form 944	Internal Revenue Service Cincinnati, OH 45999-0005	Internal Revenue Service P O Box 804522 Cincinnati, OH 45280-4522
Wisconsin WT-7	Wisconsin Dept of Revenue P O Box 8920 Madison, WI 53708-8920	Wisconsin Dept of Revenue P O Box 8981 Madison, WI 53708-8981
Wisconsin UC 101	Dept of Workforce Development Unemployment Insurance Division P O Box 7945 Madison, WI 53707	Dept of Workforce Development Unemployment Insurance Division P O Box 78960 Milwaukee, WI 53278-0960
W-2 and W-3 (Federal)	Social Security Administration Data Operations Center Wilkes-Barre, PA 18769-0001 Or file online at <a href="http://www.ssa.gov">www.ssa.gov</a>	
Wisconsin W-2s	Mail with WT-7	
1099 and 1096 (Federal)	Internal Revenue Service Kansas City, MO 64999	
Wisconsin 1099 and 1096 (Corporation filer)	Wisconsin Dept of Revenue P O Box 8932 Madison, WI 53708-8932	
Wisconsin 1099 and 1096 (other than Corporations)	Wisconsin Dept of Revenue P O Box 59 Madison, WI 53785-0001	

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## Annual Lease Value Table

Auto FMV		Annual Lease Value	Auto FMV		Annual Lease Value
\$ -	- \$ 999	\$ 600	\$ 22,000	- \$ 22,999	\$ 6,100
1,000	- 1,999	850	23,000	- 23,999	6,350
2,000	- 2,999	1,100	24,000	- 24,999	6,600
3,000	- 3,999	1,350	25,000	- 25,999	6,850
4,000	- 4,999	1,600	26,000	- 27,999	7,250
5,000	- 5,999	1,850	28,000	- 29,999	7,750
6,000	- 6,999	2,100	30,000	- 31,999	8,250
7,000	- 7,999	2,350	32,000	- 33,999	8,750
8,000	- 8,999	2,600	34,000	- 35,999	9,250
9,000	- 9,999	2,850	36,000	- 37,999	9,750
10,000	- 10,999	3,100	38,000	- 39,999	10,250
11,000	- 11,999	3,350	40,000	- 41,999	10,750
12,000	- 12,999	3,600	42,000	- 43,999	11,250
13,000	- 13,999	3,850	44,000	- 45,999	11,750
14,000	- 14,999	4,100	46,000	- 47,999	12,250
15,000	- 15,999	4,350	48,000	- 49,999	12,750
16,000	- 16,999	4,600	50,000	- 51,999	13,250
17,000	- 17,999	4,850	52,000	- 53,999	13,750
18,000	- 18,999	5,100	54,000	- 55,999	14,250
19,000	- 19,999	5,350	56,000	- 57,999	14,750
20,000	- 20,999	5,600	58,000	- 59,999	15,250
21,000	- 21,999	5,850			

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## Important Reminders

- Have your employees sign new W-4s for 2009. You can print these forms off the IRS website at [www.irs.gov](http://www.irs.gov).
- Make sure you are making your 941 tax deposits on the **required schedule**
  - The IRS requires payment of withholding taxes on a monthly or semi-weekly basis
  - To calculate your 2009 payment schedule
    - Add all payments made for the period July, 2007 through June, 2008. (Add all payments for the 3<sup>rd</sup> qtr 2007, 4<sup>th</sup> qtr 2007, 1<sup>st</sup> qtr 2008, 2<sup>nd</sup> qtr 2008). This is the IRS' "lookback" period
      - If the above payments are **\$50,000 or more** you are required to pay your taxes on the semi-weekly schedule.
        - If payday is on **Wednesday, Thursday and/or Friday** – deposit your taxes by the following Wednesday
        - If payday is on **Saturday, Sunday, Monday, and/or Tuesday** – deposit taxes by the following Friday
      - If the above payments are **less than \$50,000** – pay on a monthly schedule
        - Deposit tax payments by the 15<sup>th</sup> day of the following month
- To extend the amount of time (additional 2.5 months) in which an employee may spend the money they set aside in a flexible spending account, the Company must amend its plan by December 31, 2008.
- To take advantage of contributing to a ROTH account as part of a 401(k) retirement plan, the Company must amend to provide for this feature effective January 1, 2009

## ADDITIONAL RESOURCES

Bodilly CPAs & Consultants, LLP  
Web Site – <http://www.cpamadison.com>