

RLB CPA'S, INC.

ACCOUNTING & TAX SERVICES

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January 12, 2021

Dear Client:

Following are important changes for 2021 and a summary of various payroll tax rules. You should also retain and review all information received from federal, state and local taxing authorities for additional information and changes in the law. Please review this information carefully and contact us if you have any questions.

IMPORTANT CHANGES FOR 2021

EMPLOYEE SOCIAL SECURITY TAX DEFERRAL (PAYROLL TAX HOLIDAY) FORM W-2 REPORTING - On August 8, 2020, President Trump issued a Presidential memorandum allowing employers to defer the withholding and payment of the employee's portion of Social Security tax from September 1, 2020 through December 31, 2020.

If you deferred the employee portion of Social Security tax under Notice 2020-65, when reporting total Social Security wages paid to an employee on Form W-2, Wage and Tax Statement, include any wages for which you deferred withholding and payment of employee Social Security tax in box 3 (Social security wages) and/or box 7 (Social security tips). However, do not include in box 4 (Social security tax withheld) any amount of deferred employee Social Security tax that has not been withheld.

Employee Social Security tax deferred in 2020 under Notice 2020-65 that is withheld in 2021 and not reported on the 2020 Form W-2 should be reported in box 4 (Social security tax withheld) on Form W-2c, Corrected Wage and Tax Statement. On Form W-2c, employers should enter tax year 2020 in box c and adjust the amount previously reported in box 4 (Social security tax withheld) of the Form W-2 to include the deferred amounts that were withheld in 2021. All Forms W-2c should be filed with SSA, along with Form W-3c, Transmittal of Corrected Wage and Tax Statements, as soon as possible after you have finished withholding the deferred amounts.

EMPLOYEE SOCIAL SECURITY TAX DEFERRAL (PAYROLL TAX HOLIDAY) REPAYMENT Employee repayment of the deferred social security taxes has been extended to 12 months instead of 4 with the spending bill (Consolidated Appropriations Act – 2021) signed into law December 27, 2020. The employer is responsible for withholding and remitting the deferred taxes from the employee's compensation, on a ratable basis, between Jan. 1, 2021, through December 31, 2021, or interest, penalties and additions to tax will begin to accrue on January 1, 2022, with respect to any unpaid Social Security taxes. A shorter repayment period than 12 months can be chosen and when necessary, the employer may make arrangements to otherwise collect the total Social Security taxes from the employee, especially when employees terminate employment before the deferred taxes are fully repaid.

SICK AND FAMILY LEAVE PAYROLL TAX CREDITS EXTENDED– The Consolidated Appropriations Act -2021 also extended the payroll tax credits for sick and family leave through March 31, 2021.

EMPLOYEE RETENTION TAX CREDIT - The Consolidated Appropriations Act -2021 also extended the employee retention tax credit through June 30, 2021. There were changes and retroactive provisions made to the credit. One major change was that employers who received the PPP loan may still qualify for this credit. The IRS has not yet updated their website to reflect these changes. So for more information, keep checking back to <https://www.irs.gov>.

IMPORTANT CHANGES FOR 2021 (CONTINUED)

STANDARD MILEAGE RATE - For the year 2021, the standard mileage rate for business driving will be 56 cents per mile.

INCREASE IN SOCIAL SECURITY WAGE BASE -The wage base for **Social Security** has increased to **\$142,800** for **2021**.

OHIO MINIMUM WAGE TO INCREASE FOR 2021 - Ohio's minimum wage will increase to \$8.80 per hour for non-tipped employees and to \$4.40 per hour for tipped employees, plus tips. Employers that gross under \$323,000 per year may pay the federal minimum of \$7.25 per hour instead of the Ohio minimum wage. Employees under the age of 16 may also be paid the lower federal minimum wage.

INFORMATION REPORTING FOR 2020 FOR FORM 1095-C– YET AGAIN, THE DUE DATE FOR FURNISHING STATEMENTS TO INDIVIDUALS IS EXTENDED FROM JANUARY 31, 2021 TO MARCH 2, 2021.– Employers with 50 or more full time equivalent employees must use **Form 1095-C, Employer-Provided Health Insurance Offer and Coverage** to report the information required about offers of health coverage and enrollment in health coverage for their employees. For 2020, an employer must furnish a Form 1095-C to each of its full-time employees by March 2, 2021 and to the IRS by February 28th (March 31 if filed electronically).

SUMMARY OF VARIOUS PAYROLL TAX RULES

The Social Security tax rate for **2021** is **6.2% for both the employee and the employer**. As stated above, the wage base for **Social Security** has increased to **\$142,800** for **2021**. The wage base for **Medicare** is unlimited while the tax rate is **1.45%** each for the employer and the employee.

Employers are responsible for withholding the **0.9%** Additional Medicare Tax on an individual's **wages and compensation paid in excess of \$200,000 in a calendar year**. An employer is required to begin withholding additional Medicare tax in the pay period in which the year to date compensation exceeds \$200,000 to an employee. **There is no employer match for the additional Medicare tax.**

Employers with \$1,000 or less than in annual employment taxes will be filing an annual employment tax form 944 instead of the quarterly forms 941. However, if the business grows and the tax liability exceeds \$2,500, tax deposits will be required as discussed below. If you received notification to file Form 944, you must file Form 944 to report your employment taxes unless you contact the IRS to request to file quarterly Form 941 instead. To request to file quarterly Form 941 for the current calendar year call the IRS at 1-800-829-4933 by April 1 of the applicable year, or send a written request postmarked by March 15 of the applicable year. Employers already filing form 944 will not receive notices.

The State Unemployment taxable wage base limit remains at \$9,000 for 2021. The contribution rate is based on your individual experience rate.

The Federal Unemployment wage base remains at \$7,000 per employee and the tax rate remains unchanged at .6%. Federal Unemployment tax is to be deposited within one month of the end of the quarter in which it reaches \$500 or more on a cumulative basis.

SUMMARY OF VARIOUS PAYROLL TAX RULES (CONTINUED)

IRS Form W-4 was redesigned in 2020. Allowances are no longer used for the redesigned Form W-4 since changes in the tax law no longer allow personal exemptions and/or dependency exemptions. All new employees first paid after 2019 must use the redesigned form. Similarly, any other employee who wishes to adjust their withholding must use the redesigned form.

HOUSEHOLD WORKERS

Social Security and Medicare taxes apply to the wages of household workers you pay \$2,300 or more in cash for 2021.

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)

The IRS requires all Federal tax deposits to be made using the Electronic Federal Tax Deposit System (EFTPS). To use the EFTPS system, you must be enrolled. If you have questions or need help, call 1-800-555-4477. Once enrolled, you will receive a personal identification number (PIN). If you prefer to make your payment online, once you have received your PIN, you can go to www.EFTPS.gov and create a password by following the instructions on the website. To use EFTPS by phone, you will need your employer identification number (EIN) and PIN. To use EFTPS online, you will need your EIN, PIN and password. **Payments must be scheduled by 8 p.m. ET the day before the due date** to be received timely.

Prior to the beginning of each calendar year, you must determine which of the two deposit schedules you are required to use. The deposit schedule you must use is based on the total tax liability you reported on Form 941 during a four-quarter ***lookback period*** discussed below. Your deposit schedule is ***not*** determined by how often you pay your employees or make deposits.

Lookback period. Your deposit schedule for a calendar year is determined from the total taxes (not reduced by any advance EIC payments) reported on your Forms 941 (line 10) in a four-quarter lookback period. The lookback period begins July 1 of the second preceding year (2019) and ends June 30 of the prior year (2020). If you reported \$50,000 or less of taxes for the lookback period, you are a monthly schedule depositor; if you reported more than \$50,000, you are a semiweekly schedule depositor. If you have any questions regarding your deposit schedule, please call our office.

Monthly filers must deposit the cumulative tax liability for the month by the **15th** day of the following month. **If your tax liability for the return period is less than \$2,500, you are not required to make deposits and may pay the taxes with the return.**

Semi-Weekly filers must deposit amounts accumulated on payments made on **Wednesday, Thursday and/or Friday by the following Wednesday**, while amounts accumulated on payments made **Saturday, Sunday, Monday and/or Tuesday must be deposited by the following Friday.**

EMPLOYER-PROVIDED HEALTH COVERAGE REPORTING — NOT TAXABLE

The Affordable Care Act requires employers filing 250 or more forms W-2 in the prior year to report the value of the health insurance coverage they provide employees on each employee's annual Form W-2 in Box 12 with Code DD. The W-2 reporting requirement is informational only and it does not require taxation on

any health plan coverage. Employers with fewer than 250 W-2s in the prior calendar year are not required to report employer provided health care coverage at this time.

STATE OF OHIO

Effective January 1, 2015, Ohio Employers are required to file and remit state and school district income tax withholding returns and payments using Ohio Business Gateway. This requirement applies to all withholding tax returns, including Ohio forms IT 501, annual IT 941, SD 101 and SD 141.

The State of Ohio requires employers to have the Form IT-4 signed by employees with the appropriate withholding exemptions as they apply to the State of Ohio. **The employee's school district residence is also required on this form. The Federal Form W-4 should not be used as a substitute for the Ohio Form IT-4.** If you do not have the IT-4 in your employees file you should obtain one when you update the employees' files for 2021. The current withholding tables are effective for pay periods ending on or after January 1, 2020 and are available at Ohio's web site at www.tax.ohio.gov.

Ohio law requires you to canvass your employees and ask each employee for the school district in which they reside. If you have an employee who resides in a school district with a school district income tax in effect, then you must withhold this tax from the employee's compensation – even if you conduct no business or operations in that school district. Employers not fulfilling these requirements are subject to penalties and interest for any unpaid school district income taxes **even if the taxes were not withheld**. To find out if a school district has income tax, check the list at tax.ohio.gov. You may also look up specific taxing information by address by using The Finder, which can be found at www.tax.ohio.gov.

OHIO BUREAU OF WORKERS' COMPENSATION

Effective July 1, 2015, Ohio Bureau of Workers' Compensation switched to prospective billing. Each May, you will receive a new notice of estimated annual premium along with a certificate of coverage and installment plan details. Each July, you will receive a notice regarding filing an annual payroll true up (your annual payroll report) for the prior policy year (July 1 – June 30). This payroll true-up report is due August 15, 2021 and must be completed online or over the phone. For further details, contact your local BWC office at 419-529-4528 or visit www.bwc.ohio.gov.

ELIGIBILITY FOR EMPLOYMENT

In addition to having each new employee complete Form W-4 and Ohio Form IT-4, you must verify that each new employee is legally eligible to work in the United States. This will include completing the **Immigration and Naturalization Service (INS) Form I-9, Employment Eligibility Verification**. Contact our office to obtain the form.

NOTICE OF HEALTH CARE COVERAGE

The Affordable Care Act requires all employers to provide their employees with a notice of health care coverage options. New employees should be given notice at the time they are hired. The Department of Labor (DOL) has model notices for employers that provide coverage and for employers that provide no coverage. Please contact our office if you need assistance in providing these notices.

STATE OF OHIO NEW HIRE REPORTING PROGRAM

All Ohio employers are required to report certain information on newly hired and rehired employees. If you have any questions relating to these reporting requirements, please contact our office.

CITY OF MANSFIELD

CITY WITHHOLDING TAXES (INCLUDING MANSFIELD) - Beginning January 1, 2016, the Ohio Municipal Income Tax Reform Act is in effect. The Act provides a uniform schedule for remitting withholding taxes. Businesses with withholding taxes exceeding \$2,399 in the previous calendar year or exceeding \$200 in any month during the previous calendar quarter must file and pay monthly. If these thresholds are not met, then tax must be remitted quarterly. New deadlines for filing employers' withholding tax returns: Monthly filers must file within 15 days of the end of each month and quarterly filers by the last day of the month following the end of each calendar quarter.

SEMI-MONTHLY CITY WITHHOLDING - Effective January 1, 2016, Mansfield enacted a provision of the Act requiring businesses with withholding taxes exceeding \$11,999 in the previous calendar year or exceeding \$1,000 in any month during the previous calendar year to file and pay semi-monthly. For Semi-monthly filers, the first filing of that month must be received by the 3rd banking day after the 15th of the month; the second filing by the 3rd banking day after the last day of the month. For other cities enacting this provision, check with that city income tax department.

For W-2 filing, employers having 100 or more employee records are required to submit the required information on magnetic media.

OTHER CITIES

Other cities must also follow the Ohio Municipal Income Tax Reform Act. Please check with that city income tax department or contact our office for guidance for filing requirements.

ELECTRONIC FILING

We offer electronic filing of payroll tax returns and Forms W-2 for our clients. Most forms can be electronically filed therefore minimizing the number of items requiring mailing to taxing authorities. To take advantage of this service, please let us know and we will complete the appropriate authorization forms to allow us to provide the service to you.

OTHER IMPORTANT ITEMS FOR 2021

1. You should contact your accounting software vendor to get updated tax tables that support the 2021 tax requirements.
2. The Ohio CAT annual return is due May 10th. The quarterly return filing due date is the tenth day of the second month after the quarter's end (May 10th, Aug 10th, Nov 10th & Feb 10th). If the filing due date falls on a weekend or holiday, the return is due on the next business day. A business with greater than \$150,000 gross receipts is required to register and pay the Ohio Commercial Activity Tax. All Ohio CAT returns are required to be filed electronically.
3. The Ohio Annual Report of Unclaimed Funds is required to be filed annually by November 1, even if you have no unclaimed funds to report. All businesses that operate in the State of Ohio or hold funds due to Ohio residents are required to file an Annual Report of Unclaimed Funds. The only entities exempt from reporting are political subdivisions of the State, Counties, Cities, Townships and I.R.C. 501(C)(3) hospitals (Per section 169.01(D)(2) O.R.C.). If you have questions or need filing assistance, please contact our office.

4. The current sales tax rate for Richland County is 7.00%. The current sales tax rates are available at their website at www.tax.ohio.gov.

AFFORDABLE CARE ACT

- ★ Employers with 50 or more full time equivalent employees in 2020 must provide affordable health care coverage to their full time employees (30 hours per week or more) in 2021 or pay a penalty.
- ★ If you have any questions regarding these items, please contact our office.

If you have any questions, do not hesitate to contact us.

Respectfully,

RLB CPA's, INC.