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Dear Clients and Friends:

As we begin the New Year, there are changes we would like to make you aware of as well as some internal procedures that should be reviewed for compliance. If you have any questions regarding this information, please call the office.

2010 Wage and Tax Highlights

Federal

- | | | |
|---|---------------------------|------------|
| • FICA (Social Security) | Maximum Taxable Earnings: | \$ 106,800 |
| • FICA (Medicare) | Maximum Taxable Earnings: | No Limit |
| • FUTA (Employer-Paid) | Maximum Taxable Earnings: | \$ 7,000 |
| • Self-employed individuals will pay 15.30% on the first \$106,800 of self-employed income and 2.90% on self-employed income above \$106,800. | | |

New York

- | | | |
|--|---------------------------|----------|
| • State Unemployment Insurance | Maximum Taxable Earnings: | \$ 8,500 |
| • Minimum Wage | | \$7.25 |
| • Min. Cash Wage (Tipped Food Service Worker) | | \$4.65 |
| • Max. Tip Credit (Tipped Food Service Worker) | | \$2.60 |

Payroll and Reporting Requirements - 2010

◆ **Form W-4 (2010)**

Employers should obtain updated W-4's every year for all existing employees as well as for new employees. The updated W-4's should be compared to your payroll set up or forwarded to your payroll company so they can update the employee's information.

◆ **New Hires**

All U.S. employers are responsible for completion and retention of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. On the form, the employer must verify the employment eligibility and identity documents presented by the employee and record the document information on the Form I-9. Acceptable documents are listed on the back of the form. You can also visit www.uscis.gov for a listing of current acceptable documents.

New York State requires the reporting of any newly hired employees. The required information can be reported by submitting a completed and legible copy of the employee's Federal Form W-4. This must be submitted to NYS within 20 calendar days from the hiring date. You can either submit by fax (518) 869-3318 or mail to:

NYS Tax Department
New Hire Notification
P.O. Box 15119
Albany, NY 12212-5119

◆ **Social Security Number Verification**

The Social Security Administration (SSA) has set up several methods for employers to verify employee names and social security numbers. You must register online and receive authorization from your employer to use these services. To register, visit SSA's website at www.ssa.gov/employer and click on the *Business Services Online* link.

- The SSA allows you to verify up to ten (10) names and numbers with Telephone Number Employer Verification (TNEV) by calling (800) 772-6270 or (800) 772-1213.
- You can also verify SSNs on line at: www.ssa.gov/bsowelcome and click on the *Verify SSNs Online* link.

◆ **Illegal Workers**

Recently there has been an increase in ways to crack down on illegal workers by the Department of Homeland Security and the Social Security Administration. Significant civil penalties may be imposed against employers who have hired ineligible employees.

Employees have been furnishing ITIN's in lieu of social security numbers on their W-4s. These numbers begin with 9 and have a 7 or 8 as the fourth digit (i.e. 9XX-8X-XXXX). These numbers are not social security numbers and are not valid for employment. If you have any current employees who have furnished these ITIN's, please immediately review your records, request proper identification, and complete a 2010 W-4 and I-9 form for these employees.

◆ **Subcontractors**

Employers with sub-contractors must have updated W-9's on file for all subcontractors. Certificates of Insurance for both Workers' Compensation and General Liability will also be required from these subcontractors for the annual insurance audits. If you are using QuickBooks the program has a section indicating if the subcontractor is to receive a 1099. Utilizing this feature will assist you in preparing 1099s.

◆ **Federal Tax Deposits**

Employers, whose tax liability for 2008 was more than \$200,000, are required to submit Federal Tax obligations by the Electronic Federal Tax Payment System (EFTPS) beginning January 1, 2010. Once required to use EFTPS, an employer must continue to use EFTPS even if its federal tax deposits in future years drop below the \$200,000 threshold amount. If a taxpayer fails to use EFTPS when required the Internal Revenue Service (the "IRS") could impose a 10% penalty. The electronic transfer program includes payroll taxes (Forms 940, 941 and 945), corporate taxes

(Forms 990-T and 1120), excise taxes (Forms 990-PF and 720), and withholding taxes (Form 1042). Employers can enroll on-line and pay their federal taxes on-line at www.eftps.gov.

If EFTPS is not utilized, Federal Payroll Tax Deposits are required to be submitted to a depository bank with a Federal Tax Deposit Coupon (Form 8109). Deposits must be made by the due dates outlined below:

Federal Payroll Liability Requirements	Required Time of Payment
<p><u>Semi-Weekly Deposits:</u> Required when an employer's Federal Payroll Taxes exceeds \$50,000 per year. (Referred to as the look-back period - the year ended 6/30/09.)</p>	<p>Payroll paid on Wednesday through Friday – deposit due on or before the following Wednesday.</p> <p>Payroll paid on Saturday through Tuesday – deposit due on or before the following Friday.</p>
<p><u>Monthly Deposits:</u> Required if an employer's Federal Payroll Taxes were \$50,000 or less during the look-back period.</p>	<p>Deposit the taxes on or before the 15th of the following month.</p>
<p><u>One-Day Rule:</u> Required when an employer's accumulated Federal Payroll Tax Liability reaches \$100,000 or more as of its most recent payroll.</p>	<p>Deposit the tax by the close of the next banking day.</p>

◆ **Employer Shredding Requirements**

Federal law now requires that employers protect their employees' personal information by shredding "consumer reports" they receive about the employees they hire.

To protect against identity theft, it is good practice to shred all documents containing employees' personal information.

NEW YORK STATE TAXES

New York State requires you to remit state and local withholding taxes based upon the total amount of withholding taxes you were required to withhold in prior years.

◆ **NYS Payment Requirements for NYS Withholding**

- When an employer's 2008 New York State and Local Taxes Withheld and Remitted exceed \$15,000 the 2010 taxes must be deposited within three business days.
- When an employer's 2008 New York State and Local Taxes Withheld and Remitted were less than \$15,000 the 2010 taxes must be deposited within five business days.
- If your tax liability for the payroll quarter is less than \$700, you may remit payment with the quarterly return.

◆ **Requirements for Electronic Funds Transfers (EFT)**

EFT's are required for income tax withholding and sales and use taxes when certain thresholds are met. The threshold for withholding tax liability is \$35,000 during either of the semiannual periods ending June 30 or December 31; and for sales and use tax the threshold is \$500,000 liability or more during the period of June 1 through May 31 of the preceding year.

Pensions - Elective Salary Deferral Plans

- ◆ The 2010 maximum salary deferrals for people under 50 is as follows:

401(k) Plans	\$16,500
403(b) Plans	\$16,500
Simple Plans	\$11,500

- ◆ "CATCH-UP" CONTRIBUTIONS for individuals age 50 or older. The maximum contribution including catch up is as follows:

401(k) Plans	\$22,000
403 (b) Plans	\$22,000
Simple Plans	\$14,000

- ◆ Employer Match Recommendation - We recommend that the employer salary deferral match be made each quarter when completing your 941.
- ◆ If an eligible employee decides to "Opt-Out" of an employer sponsored plan, the employer should have the employee sign a disclaimer form and place it in their personnel file. The disclaimer should be updated annually.

Other Items

◆ **Insurance**

All NYS employers are required to carry NYS Workers' Compensation and Disability Insurance policies with few exceptions.

Most companies are experiencing insurance rate increases. Please review your coverage well in advance of your expiration dates. During the past year the Workers' Compensation and general liability auditors have been requesting additional data. The additional information is:

- Copies of invoices to your clients showing the type of work being done and the location of that work.
- The Certificates of Insurance from subcontractors must include the coverage for the period of the audit.

◆ **Health Insurance**

Most companies are experiencing insurance rate increases. Please review your coverage well in advance of your expiration dates. If an eligible employee decides to “Opt-Out” of an employer sponsored health plan the employer should have the employee sign a disclaimer form and place it in their personnel file. The disclaimer should be updated annually.

◆ **Sales Tax**

The NYS Sales tax department in conducting its audits has asked to review sales invoices. Please be sure that your invoices differentiate between taxable and non-taxable services and products. Businesses that purchase taxable items from out-of-state or the internet and are not charged for NYS Sales Tax will have to remit the required sales tax as a use tax on their sales tax returns. This is true for all materials, supplies, and equipment.

◆ **Sales Tax – Materials Credit**

New York State in its effort to collect more revenue, is reviewing those returns that claim a materials credit. This will require a more detailed allocation of costs (from invoices) to support the calculation. If you would like for us to review the calculation with you, please give us a call.

◆ **Employee Posters**

Federal and state employment laws must be posted in a conspicuous place at all times.

◆ **2010 Forms**

For your convenience, Form W-4, Form W-9 and Form I-9 can be downloaded from our Website at www.socpapc.com. Please click on “Payroll Forms” on our home page and then choose the Form you want to print. If you prefer, you can call our office and we will mail you these forms.

◆ **Agency internet web sites:**

- Internal Revenue Service: www.irs.gov
- Social Security Administration: www.ssa.gov
- U.S. Dept. of Labor: www.dol.gov
- Dept. of Taxation & Finance: www.tax.state.ny.us
- NY Dept. of Labor: www.labor.state.ny.us
- US Dept. of Homeland Security: www.uscis.gov