

Client Memo

January 2021

As we finalize 2020 and begin a new year, Estep-Doctor & Company would like to remind you, as employers, of the following:

To efficiently process your 2020 W-2 and 1099 forms, we will need to have all of your information in our office NO LATER THAN JANUARY 13, 2021.

TAX RETURN DEADLINES FOR BUSINESSES:

Due to the high volume of tax returns prepared by our firm, the information needed to complete the tax returns must be received no later than February 10, 2021 so that the returns may be completed by the original filing due dates. It may become necessary to apply for an extension of the filing deadline if there are unresolved issues or delays in processing, or if we do not receive all of the necessary information from you on a timely basis.

Due Dates for December 31, 2020 year-ends:

Corporations	April 15, 2021
S-Corporations	March 15, 2021
Partnerships & LLC's	March 15, 2021
Trust and Estate Returns	April 15, 2021
Sole Proprietorship (Schedule C)	April 15, 2021

Not for Profits with a December 31, 2020 year-end date are due May 17, 2021. Not for profits are due on the 15th day of the fifth month after the end of the organization's tax year.

RECENT CHANGES

The Consolidated Appropriations Act was signed into law on December 27, 2020. The Act extends the refundable tax credits available to employers who provide paid sick and family leave related to the COVID-19 pandemic through March 31, 2021. However, employers will no longer be legally required to provide such leave. Contact our office for assistance if you have an employee out for COVID-19 related reasons.

The Act includes a second round of the Paycheck Protection Program for first-time borrowers and previous PPP recipients. Prior PPP borrowers must meet the following conditions to be eligible: (1) 300 or fewer employees per location, (2) have used or will use the full amount of the first PPP loan; and (3) can show a 25% gross revenue decline in any 2020 quarter compared with the same quarter in 2019.

Beginning with tax year 2020, use Form 1099-NEC to report non-employee compensation. See Miscellaneous Information-1099 Information Returns below for further details.

The elective deferral an employee can make to their traditional 401k is \$19,500 for 2021. There is an additional catch-up contribution for employees age 50 or older of \$6,500.

The elective deferral an employee can make to their Simple 401K or Simple IRA is \$13,500 for 2021. There is an additional catch-up contribution for employees age 50 or older of \$3,000.

Effective 1/1/2020 the IRS requires the new W-4 form (<https://www.irs.gov/pub/irs-pdf/fw4.pdf>) to be used for:

- Employees hired on or after January 1, 2020.
- Employees who make changes to their withholding elections at any time in 2020 or later.
- Employees who have never given you a Federal Form W-4.
- Existing employees are not required to complete the new form unless changes are necessary.

EMPLOYEE INFORMATION

Payroll Taxes

The Employee's combined share of Social Security and Medicare tax for 2021 is 7.65%.

- Social Security is 6.2% of the first \$142,800 of earnings.
- Medicare is 1.45% of **ALL** earnings. An additional 0.9% surtax is added to earnings over \$200,000.
- As a result of the Patient Protection and Affordable Care Act, effective January 1, 2014, employers are required to withhold a 0.9% Medicare surtax. Employers should be mindful that the law requires an employer to withhold the additional Medicare surtax on wages or compensation in excess of \$200,000 to an employee in a calendar year. Employers are still required to withhold and match 1.45% on all employees regardless of gross earnings.

The State Unemployment Insurance (SUTA) merit rate notices are available in the correspondence history section of Uplink to obtain your 2021 tax rate. The taxable wage base will remain at \$9,500 per employee.

State & County Taxes

- Indiana state individual tax rate will remain at 3.23% for 2021.
- The current rate for Delaware County is 1.5% and Madison County is 1.75%. Randolph County rate increases to 2.5% **effective January 1, 2021**. For a complete list go to <http://www.in.gov/dor/files/dn01.pdf>.

Payroll Documentation

- Forms W-4, WH-4, Indiana Employer New Hire, and I-9 must be completed and on file for each employee. Throughout the year as employees move, change marital status, or change withholding allowances you must obtain a new W-4.
- See Recent Changes section for new info on W-4 form.

Employee General Information

- Federal and Indiana minimum wage is \$7.25 per hour. However, some states have a higher minimum wage than the Federal rate. If the state minimum wage is higher than the Federal rate, workers are paid the higher amount.
- Tipped employee's wage per hour is \$2.13. Employees will need to receive \$5.12 in tips per hour or the tip credit to meet the \$7.25 minimum wage.

W-2 Forms

The Indiana Department of Revenue requires that all businesses that file more than 25 W-2s per year file their returns electronically.

Group Health Insurance cost is required to be reported on W2s for employers who filed 250 or more W2 forms in the prior calendar year.

If Estep-Doctor prepares your W-2 Forms and any of the following applies to your company for 2020, please **let us know immediately**:

- If you paid an employee using the employer COVID-19 credits, please contact our office.
- If any individuals that you employed in 2020 are now **deceased**, please provide their name and Date of Death. Special reporting requirements are required for deceased employees.
- If you provided **Group Term Life Insurance** and the insurance amount for any employee is in excess of \$50,000, please contact our office.
- If you have 3rd Party **Sick Pay** and your insurance company has made sick pay or short-term disability payments to employees, please provide documentation. We will also need to know if the insurance company will be issuing a W-2 for payments they have made.
- If you offer a **pension** or **401(K)** plan, please send us all of the pertinent information for inclusion on the W-2s.
- If you have employees with personal use of a **company vehicle**, we will need the Business-Owned Automobiles/Trucks form filled out. The Auto Benefit form is available to be downloaded on our website in the News, Links, & Resources section.
- If you **reimbursed mileage** in excess of 57.5 cents per mile or reimburse travel and entertainment as an allowance, please contact our office.
- If you have established a **Health Savings Account** plan, contact our office.

- If you have paid an individual with the FFCRA payroll credits, please contact our office.

Mileage Rate

The mileage rate for travel reimbursement is 56 cents per mile, beginning January 1, 2021. An employer may use the business mileage rates to reimburse an employee for business use of a personal vehicle. The reimbursement will be treated as a tax-free accountable plan if the employee substantiates the time, place, business purpose and mileage on each trip.

Auto Benefit form is available for you to print from our website in the News, Links, & Resources section or by clicking this link - www.edcpa.com/news.

Employer Deposit Requirements for 941 Employment Taxes

When to make your deposits for the calendar year is determined by the total taxes reported on your Form 941.

If the total employment tax reported on form 941 for the period July 1, 2019 to June 30, 2020 is:

- Less than \$50,000, you are a monthly 941 employment tax depositor. (Taxes due the 15th of every month.)
- Greater than \$50,000, you are a semiweekly depositor. (If payday falls on a Wednesday, Thursday or Friday taxes are due the following Wednesday. If payday falls on Saturday, Sunday, Monday or Tuesday taxes are due the following Friday.)

Penalties up to 15% of your total employment tax liability may be assessed if you do not make required deposits on time.

MISCELLANEOUS INFORMATION

1099 Information Returns

You may be required to file certain information returns with the government for 2020. Failure to file these returns may result in the assessment of substantial penalties. If you believe that you are required to file any of these information returns, [please contact us](#). Recipients and Internal Revenue Service must receive their copies by February 1, 2021.

Form 1099-NEC will now be used to report non-employee compensation that was previously reported in Box 7 of Form 1099-MISC. Rent, other income, etc will continue to be reported on Form 1099-MISC. Each form type requires a separate 1096.

Use Tax

The state of Indiana has stepped up enforcement of the use tax law. Purchases from out-of-state vendors are generally subject to either Indiana sales tax or use tax. If you would have paid sales tax had you made the purchase in Indiana, you are required to pay a 7% use tax instead. Please contact our office for further information.