

# TaxTips for Employers

## W-4 FOR ALL

All new employees must complete a current year Form W-4, in addition, all other employees should complete Form W-4 at the beginning of each year.

## I-9 A MUST FOR ALL EMPLOYEES

Every employee must complete and sign Form I-9 and the employer is required to sign and declare that they have examined the necessary documentation. This form verifies the identity and employment eligibility of each employee in accordance with United States Citizenship and Immigration Services (USCIS) laws.

## NEW HIRE REPORTING

All employers must report to their state within 20 calendar days from the date of hiring new employees. The following information must be provided: employee's full name, address, and social security number as well as the employer's name, address and the employer identification number. The required information may be reported by submitting a completed and legible copy of the employee's federal Form W-4. Remember to enter the employer's information in the designated area. NYS employers may fax the completed W-4s to NYS Department of Taxation at fax number (518) 869-3318 or via the internet at [www.nynewhire.com](http://www.nynewhire.com) and follow instructions.

Employers using **Paychex** do not have to do their own reporting because **Paychex** is automatically reporting all new employees on their behalf. Employers using other payroll services should inquire with their representatives prior to doing their own reporting. PENALTIES for non-compliance can range from \$25 to \$500 per employee.

## W-2s – BEWARE OF PENALTIES

Social Security Administration (SSA) will start penalizing employers who submit W-2s with mismatched names and social security numbers. Here are some items you should check for:

- Use employees names as shown on their Social Security (SS) cards.
- If employees wish to change their names, they must contact SSA at 800-772-1213 and request Form SS-5, (Application for a SS card) which covers name changes.
- Don't join compound names together, this would be incorrect (Sue SmithJones). Do not put a space between names (Sue Smith Jones) because SSA will read only the second half of the name and reject the form. Instead hyphenate the name (Sue Smith-Jones).
- Don't Insert incorrect prefixes. Don't separate the prefix from the rest of the name. For example Anthony D Angelo would be incorrect because the computer would read the D as an initial. The better choice would be Anthony DAngelo or Anthony D'Angelo. In the case of names with multiple letter prefixes like Da Vinci you may leave a space or put in a hyphen.
- Don't shorten names They must appear the way they are on the SS card. Do not add titles such as Dr. Mr. Ms. Capt, Rev. Do not add designations after name like RN, Phd, DDS. Make sure you leave off Jr. and Sr. unless they are on the SS card. If someone dies do not add "deceased" or "estate of". The computer will read the words as part of the name. If you have any questions regarding W-2 reporting you may call the employer report-ing service center at 800-772-6270.

## STATE UNEMPLOYMENT RATES

If you have employees you will receive an important notice from your state taxing authorities pertaining to your current year schedule of unemployment tax rates. If you use a payroll processing service such as **Paychex**, you should write your client number on the notice and then fax it to the payroll processing center. If you prepare your own payroll, you should fax it to us so we can advise you of your obligations.

## TRANSIT AND PARKING BENEFITS FOR 2009

You can help your employees to keep more of their earned dollars and in the process save on your share of the employer's taxes by offering a qualified transportation fringe benefit program. The tax law allows employers to exclude from income up to **\$230** a month paid to employ-ees for parking at the work site. For those that use public transportation, the law allows employers to exclude up to **\$120** a month in transit vouchers. For full details about these items please call us.

**EMPLOYING FREELANCERS? WATCH OUT!**

The IRS and the states are specifically targeting for review employers of freelancers. There is nothing wrong with hiring freelancers if you know the rules. Freelancers, or Independent Contractors (ICs) in the IRS jargon, are different from employees. According to the IRS regulations, employees work under the control and supervision of the employer without any investment risk or freedom to go about as they chose. Independent Contractors work independently of their employer with little or no guidance and supervision. ICs generally work away from their employers premises, for a fixed fee, and make their services available to others. According to IRS and state regulations, employers must withhold taxes from their employees' pay and must cover them for unemployment, workers' compensation and disability insurance. Failure to do so can bring the wrath of either or both the IRS and the state taxing authority on the employer. We therefore urge you to review your hiring practices. If you suspect that you may be in violation we urge you to contact us soon in order for us to review your situation and advise you of possible remedies.

**EMPLOYING FREELANCERS IN CA OR MA?  
READ THIS TO STAY OUT OF TROUBLE**

Any person or business that is required to issue form 1099-Misc. at the end of the year, must comply with the California/Massachusetts Independent Contractor Reporting Law. The law mandates that if you hire an independent contractor (freelancer) in the course of your business, you must report that information to The California Employment Development Department (EDD), or MA Department of Revenue.

The reporting must be done within **TWENTY DAYS (CA)** and **FOURTEEN DAYS (MA)** of the EARLIER of the following events:

- a)** Making a payment totaling \$600 or more
- b)** Entering into a contract totaling \$600 or more

For **CA** employers, the reporting must be done on form DE 542 which can be obtained from EDD. Phone **916.657.0529** or go to their web site at **www.edd.ca.gov**

For **MA** employers, the reporting must be done on form NHR and fax it to **617.376.3262**.

**1099s MUST BE MAILED BY JANUARY 31ST  
AND W-2s MUST BE MAILED BY FEBRUARY 28TH**

If you paid independent contractors or freelancers \$600

or more, you must issue them 1099-Misc by January 31st. If you withheld taxes from employees' pay, you must issue them W-2s by January 31st. The 1099s must be mailed to the Internal Revenue Service (IRS) and the W-2s to the Social Security Administration (SSA) by February 28th. If you would like us to prepare your W-2s and 1099s please go to **www.judakallus.com**. Under Data Organizer, choose **1099 Data Sheet**, fill it out and fax it back to us at 212.727.9812.

**EMPLOYING YOUR CHILDREN**

If you are self employed or own a non-incorporated business, or single member LLC, and hire your children to help out, don't just give them pocket money; put them on the payroll! By doing so you will make the expense tax deductible and it may turn out to be a rewarding and educational experience for your kids. Be sure to pay them as you would your other employees by giving them regular payroll checks based on actual hours worked. All payroll paperwork such as W-4 and I-9 forms should be completed and time sheets maintained. Of course quarterly payroll tax forms have to be filed with the IRS and the state taxing authorities.

If the paperwork scares you then there is a solution. There are payroll service firms that will prepare all the paperwork and filing requirements for a very reasonable monthly fee. In most cases you do not have to withhold taxes and your children under age 18 are not subject to FICA and Medicare taxes if they work for a non incorporated (self employed or LLC) parent owned business. Furthermore, you the employer do not have to pay state and federal unemployment insurance and disability insurance (as long as your children are in school, disability insurance is not required). What a deal. Finally, your children can earn up to \$5,000 tax free! If kept in your business, in many instances the \$5,000 would have been taxed to the parents as much as 40% or \$2000. Now this is a significant tax saving.

**TAX PLANNING REMINDER**

If you would like to set up a tax planning session, please make an appointment to see us between August and December. It is best to plan your tax savings in advance.

**THANK YOU FOR READING**

If you have any questions about the above topics please call us (after tax season), unless it relates directly to your taxes. Feel free to pass a copy of this newsletter on to friends and colleagues. We appreciate and welcome your referrals.