

Dear Client,

We hope the following summarized payroll, sales tax and Form 1099 information will be helpful to you in the coming New Year.

Rates and Limits For 2020

FEDERAL PAYROLL TAXES

- FICA- The Social Security portion of FICA to be withheld from the employee is 6.2% on gross wages up to **\$137,700 - maximum \$8,537.40**. The Medicare portion of FICA is 1.45% and is withheld on **all** wages. The employer must match the amount withheld for social security and Medicare when making a payroll tax deposit.
- FICA- (Self-Employment) – The Social Security Portion of FICA is 12.4% on gross wages up to **\$137,700 - maximum \$17,074.80**. The Medicare portion of FICA is 2.9% on **all** wages.
- FUTA- Employer expense, 0.6% on gross wages up to \$7,000.00 - maximum \$42.00. The minimum threshold for Federal Unemployment Tax Act (FUTA) tax deposits is \$500.00.

0.9% ADDITIONAL MEDICARE TAX ON EARNED INCOME

Additionally, individuals pay an additional 0.9% Medicare Hospital Insurance (HI) tax on wages and self-employment (SE) income on amounts earned above certain threshold amounts.

An employer must withhold Additional Medicare Tax from wages it pays to an individual in excess of \$200,000 in a calendar year without regard to the individual's filing status or wages paid by another employer.

These threshold amounts are not indexed for inflation. Under the law, if income exceeds the threshold amounts, the employee's share will increase by the 0.9%, but the employer's share will remain at 1.45%. For self-employed individuals, the rates will increase from 2.9% TO 3.8%. In other words, there is no employer match.

The IRS has released guidelines in FAQ format at <https://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax>.

CALIFORNIA PAYROLL TAXES

- SDI- (State Disability Insurance) to be withheld from employee is **1.0% on gross wages up to \$122,909.00 - maximum \$1,229.09**.
- SUI- (Unemployment Insurance) Employer expense, rates **may vary from 1.5% to 6.2%** based upon employer's experience, **applied on gross wages up to \$7,000.00 per employee**. Employers may find their SUI rates at <https://eddservices.edd.ca.gov/tap/open/rateinquiry>.
- ETT- (Employment Training Tax) - Employer expense, **0.1% of gross wages up to \$7,000.00 per employee**.

Federal and California Income Taxes Withheld

Refer to the Federal Income Tax Tables in I.R.S. Publications 15 and 15-A, and the California Employers Tax Guide, Publication DE-44. California does not send these unless requested. The Tax Guide is available as a pdf online, by US mail (upon request), by phone at (888) 745-3886, or at the Employment Tax Office

https://www.edd.ca.gov/Payroll_Taxes/Contact_Us_About_Payroll_Taxes.htm

Supplemental Wage Payments (such as bonus, commission and overtime pay)

Flat withholding rates for supplemental wage payments (i.e., bonuses) are:

Federal - 22%

California - 10.23% (Bonuses & Stock Options)

California - 6.6% (Overtime Pay, Commissions, Sales Awards, Vacation Pay)

Supplemental wage payments in excess of \$1,000,000.00 are subject to Federal withholding at the highest income tax rate without regard to the employee's Form W-4.

FEDERAL WITHHOLDING AND PAYROLL TAXES

Employer Filing and payment requirements:

Form W-2

Reporting requires that employers who generally file 250 or more Form W-2's will need to report the aggregate cost of employer-sponsored health insurance coverage provided to employees during 2020. Small employers are currently exempt. Additional information may be found at <http://www.irs.gov/Affordable-Care-Act/Form-W-2-Reporting-of-Employer-Sponsored-Health-Coverage>

Form 941

Employers Quarterly Federal Tax Returns are due the last day of the month following the end of the quarter and include:

- a. Federal income tax withheld (FIT)
- b. FICA & Medicare tax withheld
- c. FICA & Medicare tax- Employer's Share

FEDERAL PAYMENT REQUIREMENTS

If an employer reported employment taxes of \$50,000 or less during the look back period, they must make monthly deposits for the entire year. The lookback period for Form 941 deposits in 2020 is July 1, 2018 to June 30, 2019. The deposit must be made by the 15th day of the following month. Businesses that have less than \$2,500 in quarterly employment taxes are allowed to make payments every three months, rather than on a monthly basis. Businesses that qualify for the quarterly payment of employment taxes may pay the taxes by filing Form 941, Employers Quarterly Federal Tax return and including the payment with the return.

If an employer reported employment taxes of more than \$50,000 during the look back period, they must make deposits on a semi-weekly basis. Employment taxes from payrolls paid on Wednesday, Thursday, and/or Friday must be deposited by the following Wednesday; taxes from Saturday, Sunday, Monday, and/or Tuesday payrolls must be deposited by the following Friday. If a quarter ends during a semi-weekly period, any taxes owed for the quarter just ended are subject to one deposit. The taxes owed for the new quarter should be deposited separately even though they are due on the same day.

Any employer who has accumulated \$100,000 in payroll taxes during a deposit period must make a deposit by the next business day.

For annual returns, (Form 943, 944, 945 and CT-1) the lookback period is the calendar year preceding the previous year. The lookback period for 2020 Form 943 deposits is the 2018 calendar year. See IRS Notice 931 at <https://www.irs.gov/pub/irs-pdf/n931.pdf> for more information on Federal deposit requirements.

Form 940

Employer's Annual Federal Unemployment (FUTA) Tax Return is due January 31, 2020. However, if you deposited all your FUTA tax when it was due, you may file Form 940 by February 10, 2020.

File Form 940 if you paid wages of \$1,500 or more to employees in any calendar quarter during 2018 or 2019 or if you had one or more employees for at least some part of a day in any 20 or more different weeks in 2018 or 2019.

DEPOSITING EMPLOYMENT TAXES

You must deposit all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS).

Your tax deposit must be scheduled **at least one calendar day, by 8 p.m. ET, before** the due date.

For more information, or to enroll in EFTPS, visit the website at www.eftps.gov.

ALERT: Penalties for failure to deposit taxes when due will still apply. A resource for federal tax deposits can be found at <https://www.irs.gov/pub/irs-pdf/p3151a.pdf>.

FIT AND FICA AGRICULTURAL**Form 943**

Employer's Annual Tax Return for Agricultural Employees, file by **January 31, 2020** for the 2019 calendar year. However, if you made deposits on time and in full payment for the year you may file as late as February 10, 2020.

Items to be reported on Form 943 include:

- a. Federal income tax withheld
- b. FICA & Medicare tax withheld
- c. FICA & Medicare tax - Employer's share

Who must file:

File Form 943 if you paid wages to one or more farm workers and the wages were subject to social security and Medicare taxes or federal income tax withholding for any calendar year that you pay a single farmworker cash wages of \$150 or more, or the total cash and noncash wages you pay to all farmworkers is \$2,500 or more.

Agricultural employers who are monthly depositors are required to make monthly deposits regardless of the amount due.

Agricultural employers are held to the depositing rules stated above.

Federal Income Tax Withholding on the wage of Agricultural Workers:

Most agricultural workers are subject to withholding for Federal income tax.

If the worker is subject to FICA withholding, they will also be subject to Federal income tax withholding.

After you file your first Form 943, you must file a return for each year, even if you have no taxes to report, until you file a final return.

Form 940

Employer's Annual Federal Unemployment (FUTA) Tax Return is due January 31, 2020. However, if you deposited all of your FUTA tax when it was due, you may file Form 940 by February 10, 2020.

Agricultural employers must file Form 940 if they paid cash wages of \$20,000 or more to farmworkers during any calendar quarter in 2018 or 2019. They also must file if they employed 10 or more farmworkers during some part of the day (whether or not at the same time) during any 20 or more different weeks in 2018 or 20 or more different weeks in 2019.

In reporting the total wages paid count wages paid to aliens who were admitted to the United States on a temporary basis to perform farm work (workers with H-2A visas). However, wages paid to H-2A visa workers are not subject to FUTA tax.

Please note that the Social Security Administration (SSA) and Internal Revenue Service (IRS) continue to track employers with employees that have mismatched name and social security number combinations. The IRS has assessed penalties on employers for incorrect name and social security number combinations. A penalty can be assessed as high as \$270 per incorrect Form W-2.

The Social Security Administration provides free verification options to assist you in matching employee names and social security numbers with their records:

Employers must first register for a Business Services Online (BSO) User ID and Password at <https://secure.ssa.gov/acu/IRESWeb/registration.jsp>. Once registered, employers may either verify up to 10 employee names and Social Security numbers using either the SSA's Telephone Number Employer Verification (TNEV) automated phone system by dialing 1-800-772-6270, or by using the Social Security Number Verification Service (SSNVS) online to obtain immediate verification. If using the online method, employers are not limited to the number of times they request verification of groups of up to ten employees in one session.

For verification of large groups of employees (up to 250,000 names and SSN's) employers may upload a file on SSNVS and will usually receive results the next government business day.

More information on SSNVS may be found here:

<http://www.ssa.gov/employer/ssnvshandbk/ssnvsHandbook.pdf>

STATE WITHHOLDING TAX, SDI, SUI, AND ETT

Form DE-9

Forms DE-9 (Quarterly Contribution and Report of Wages) and DE-9C (Continuation) are due the last day of the month following the end of the quarter.

Payroll Deposits

Employer contributions of Unemployment Insurance (UI) and Employment Training Tax (ETT) are due quarterly. Monies withheld from employee's wages for State Disability (SDI) and California Personal Income Tax (PIT) may need to be deposited more often if you withhold over \$350 in PIT. The EDD's deposit schedule may be found here:

https://www.edd.ca.gov/Payroll_Taxes/Timely_Payroll_Tax_Deposits.htm.

Note: A penalty of 15 percent plus interest will be charged on late payroll tax deposits.

EDD - E-FILE AND E-PAY MANDATE

State law requires all employers to electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD.

For more information, visit E-file and E-pay Mandate for Employers.

http://www.edd.ca.gov/Payroll_Taxes/E-file_and_E-pay_Mandate_for_Employers.htm.

There is a waiver provision for employers who are unable to electronically submit employment tax returns, wage reports, and payroll tax deposits.

Here are the ways the waiver request Form DE 1245W can be obtained:

Download the DE 1245W at https://www.edd.ca.gov/pdf_pub_ctr/de1245w.pdf.

Contact the Taxpayer Assistance Center at 888-745-3886

Visit the nearest Employment Tax Office

Employers will be notified by mail if their waiver is approved or denied. An approved waiver will be valid for one year beginning with the quarter of the request date. If the waiver is approved use Form DE-88 to make payroll deposits.

NEW HIRES

All California employers are required to report new employees to the New Employee Registry (NER) Program. Within 20 days of the start to work date, all employees newly hired, rehired or returning to work from a furlough, separation, leave of absence without pay or termination, must be reported.

An employee is considered a rehire if the employer/employee relationship has ended and the returning individual had been separated from that same employer for at least 60 consecutive days. Be sure to report them on your Report of New Employee(s) (DE-34) within 20 days of the rehire date.

Employers may be charged a penalty of \$24 for failure to report new employees within the 20-day time frame. A \$490 penalty may be charged for supplying a false or incomplete report.

Overtime requirements

Employers in California must pay overtime at 1-1/2 times a qualified employee's regular rate after 8 hours of work in a day (as well as 40 hours in a week) and for the first eight hours of the seventh consecutive workday in a workweek. Employers in California must pay overtime at double the employee's regular rate for all hours worked over 12 hours in a day and all hours worked in excess of eight on the seventh consecutive day of work in a workweek.

California Minimum Wage

As of January 1, 2020, the California minimum wage is \$13.00 per hour for employers employing 26 or more employees. For employers with 25 or less employees the rate is \$12.00 per hour.

HOUSEHOLD EMPLOYEES

FEDERAL:

The Federal rules require household employers to report Social Security and unemployment tax obligations annually on their individual income tax returns, Form 1040, Schedule H. Household employers must include their employer's identification numbers (EIN) on Forms W-2 and Schedule H. Household employers without an EIN are required to apply for one using Form SS-4. Household employers who pay cash wages of \$1,000 or more in any calendar quarter of 2018 and 2019, or \$2,100 or more to any **one** household employee during all of 2019 are required to pay employment taxes.

CALIFORNIA:

California does not allow household employers to pay household employment taxes with their California income tax return. Household employers must register with the EDD and report household employees by filing Form DE 1HW, Employers of Household Workers Registration and Update Form, when they employ one or more individuals and pay cash wages of \$750 or more in a calendar quarter. Household employers must also file Form DE 34, Report of New Employee(s), for each new employee within 20 days of their start-of-work date, which is their first day of work.

1. Subject to SDI withholding, if **\$750.00** or more in cash is paid in any calendar quarter.
2. Subject to SDI, SUI and ETT if **\$1,000.00** or more in cash is paid in any calendar quarter.
3. Not subject to PIT unless employer and employee voluntarily agree to the withholding.

More information may be found at http://www.edd.ca.gov/pdf_pub_ctr/de8829.pdf.

To register as a household employer for the State of California, use one of the following methods:

- Online Registration: http://www.edd.ca.gov/Payroll_Taxes/e-Services_for_Business.htm
 - You will receive your employer account number immediately.
 - You must also mail a completed DE1 HW to EDD.
- Mail your completed DE 1 HW to:
 - Employment Development Department
 - Account Services Group, MIC 28
 - PO Box 826880
 - Sacramento, CA 94280-0001
- Fax the DE 1 HW to: (916) 654-9211
 - You must also mail a completed DE 1 HW to EDD.

To obtain a copy of a Registration Form for Employers of Household Workers (DE 1 HW) please call Taxpayer Assistance Center at (888) 745-3886 or download the form here: http://www.edd.ca.gov/pdf_pub_ctr/de1hw.pdf.

An eight-digit employer account number will be issued (example: 000-0000-0). This number will be on all preprinted forms sent to you. Please use this number when you write to EDD.

Household employers are required to follow the same deposit and report filing requirements as regular employers. The employee's name, social security number, quarterly wages and personal income tax withheld, unemployment insurance, employment training tax, and state disability contributions will be reported quarterly on the Form DE-9. **California household employers are subject to the E-file and E-pay Mandate. Quarterly forms and deposits should be made online unless a waiver has been approved.**

Annual Payment

Household employers who pay less than \$20,000 in wages per year may elect to pay taxes annually by checking the "yes" box in Item D on Form DE 1HW or, if previously registered with the EDD, may complete Form DE 89, Employer of Household Worker Election.

If the election is approved, an employer of household workers will file a *Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 3BHW) each quarter. However, the employer will pay all taxes due in January of the following year when filing the *Annual Payroll Tax Return for Employer of Household Workers* (DE 3HW). **Submit Forms DE 3BHW & DE3HW online using e-Services for Business.**

More information about the responsibilities of household employers can be found in the EDD's 2019 Household Employer's Guide at http://www.edd.ca.gov/pdf_pub_ctr/de8829.pdf.

2019 FORM 1099 – REQUIREMENTS

The filing deadline for Forms **1099-MISC** reporting nonemployee compensation in **Box 7** of the form is **January 31, 2020**. This applies to both paper filed and electronically filed forms. For all other reported payments, using Form 1099-MISC file by February 28, 2020, if you file on paper, or March 31, 2020, if you file electronically. All other 1099 forms are due February 28, 2020 if filed on paper or March 31, 2020 if filed electronically.

CAUTION: Filers should be aware that transmissions of Forms 1099-MISC sent after January 31, 2020 that report a combination of nonemployee compensation (box 7) payments and other types of payments, for example, Box 1 (Rents), will be considered late and subject to late filing penalties.

Backup Withholding

The Internal Revenue Service is firmly enforcing the backup withholding requirement for any payor filing Form 1099.

1. If a payor does not obtain the payee's Tax Identification Number (TIN) before or at the time of reporting a reportable payment, the payor must backup withhold at 24%.

2. Information including a properly completed Form W-9 allows the payor to avert backup withholding.
3. Written documentation providing the payees' TIN is always advisable.

Backup withholding of 24% is required on payments of interest, dividends, rents, commissions, non-employee compensation, gross proceeds to attorneys, and certain other payments.

Please note: If backup withholding is not collected and paid as required, the payor may become liable for any amounts uncollected.

Backup withholding applies if:

1. The payee fails to furnish TIN in the required manner.
2. The IRS sends a "B" notice to the payor indicating that the payees' TIN is incorrect.
3. The IRS sends the payor a notice that the payee is subject to backup withholding.
4. The payee fails to certify that he/she is not subject to backup withholding.

Upon receiving a "B" notice the payor is required to backup withhold from the payee no later than 30 days after receipt. Withholding must continue until the payee furnishes a TIN and certifies that it is correct (completion of Form W-9).

To avoid these issues, it is STRONGLY RECOMMENDED having each payor require a Form W-9, completed by the payee at time of hire. Form W-9 is available at <https://www.irs.gov/pub/irs-pdf/fw9.pdf>.

Payors can face numerous penalties for non-compliance. For the 2019 form year, the maximum penalty per form is \$270 per form. Penalties can be lowered by taking timely corrective action. Therefore, we encourage you to take the time to require Form W-9 from each of your vendors, non-employees, service providers, etc. Additional information may be found at <https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>.

[NEW FOR 2020-FORM 1099-NEC](#)

Form 1099-MISC has been revised due to the creation of Form 1099-NEC. Beginning with tax year 2020, Form 1099-NEC will be used to report nonemployee compensation. The deadline to file Form 1099-NEC will be on or before February 1, 2021, applying to both paper and electronic filing. Your 2020 Forms 1099-MISC must be filed by March 1, 2021 if filed on paper or March 31, 2021 if filed electronically.

[DE 542 REPORT OF INDEPENDENT CONTRACTORS](#)

Businesses and rental property owners must report individuals who are independent contractors who provide services to them to the California EDD. If you file Form 1099-MISC, you must also report the independent contractor on Form DE 542, regardless of where the independent contractor lives or works. However, a business is not required to file Form DE 542 for an independent contractor who is a corporation, partnership, limited liability company or limited liability partnership.

You must report independent contractors within 20 days of either making payments of or entering into a contract for \$600 or more within any calendar year. Check the "ongoing" box on Form DE 542 if you cannot determine when the independent contractor will reach this dollar amount. Information needed to complete DE 542 includes full name, business name, address, telephone number, social security number and/or California state employer account number, date contract was executed, or if not a contract the date payments equal or exceed \$600, and the total amount of payments. If you do not report the independent contractor as required, the EDD may assess you a penalty of \$24 per failure. If you and the independent contractor agree not to report the payments in an effort to circumvent the requirement, the penalty is \$490.

When filing your 2019 Form 1099-MISC, also file Form DE 542 for independent contractors who you will be making payments to in **2020**. Make sure to check the "ongoing" box, and leave the dollar amount blank since the payments have not yet been made.

FORMS W-2 & W-3

The deadline for filing both electronic and paper Forms W-2 and W-3 with the **Social Security Administration** is **January 31** of the following year. The deadline for distribution of Form W-2 to **employees** is January 31, 2020.

ALL FORMS W-2 AND W-3 SHOULD BE SENT TO THE SOCIAL SECURITY ADMINISTRATION, DIRECT OPERATIONS CENTER, WILKES-BARRE, PA 18769-0001.

NOTE: If you use certified mail to file forms W-2 and W-3, change the zip code to 18769-0002.

If more than 250 of each type of information returns are filed, you must file electronically. For information on different electronic filing options, go to www.ssa.gov/employer or call (800) 772-6270.

AccuWage Online

AccuWage Online is a free application from Social Security Administration that enables you to check W-2 (Wage and Tax Statement) and W-2c (Corrected Wage and Tax Statement) Wage reports for correctness before uploading them to Business Services Online.

AccuWage Online is accessed by logging on to Business Services Online and going to the Employer Wage Reporting webpage. You will need to log in with your BSO username and password. AccuWage Online is the fourth tab. If you do not have an account, you can register for one here: <https://www.ssa.gov/bsowelcome.htm>

SALES TAX INFORMATION – GENERAL

SALES TAX RATES – Effective January 1, 2020

<u>MONTEREY COUNTY</u>		7.75%
Carmel	8.75%	
Del Rey Oaks	9.25%	
Gonzales	8.25%	
Greenfield	9.50%	
King City	8.75%	
Marina	9.25%	
Monterey	8.75%	
Pacific Grove	8.75%	
Salinas	9.25%	
Sand City	8.75%	
Seaside	9.25%	
Soledad	8.75%	
<u>SAN BENITO COUNTY</u>		8.25%
Hollister	9.25%	
San Juan Bautista	9.00%	
<u>SANTA CLARA COUNTY</u>		9.00%
Campbell	9.25%	
San Jose	9.25%	
<u>SANTA CRUZ COUNTY</u>		8.50%
Capitola	9.00%	
Santa Cruz	9.25%	
Scotts Valley	9.00%	
Watsonville	9.25%	

Sales tax for cities not listed is at the county rate. Sales and use tax rates for other California counties and cities can be found at <https://gis.cdtfa.ca.gov/public/maps/TaxRates/>
The Following due dates apply for reports of sales:

- a. Annual report of sales - report and payment due January 31.
- b. Quarterly report of sales - report and payment due last day of the month following end of quarter.
- c. Monthly deposits are due the last day of the following month.

The California Department of Tax and Fee Administration (CDTFA) assigns a filing frequency based on your reported sales or your anticipated taxable sales at the time of registrations. Taxpayers with sales and use tax liabilities that average \$10,000.00 per month must make their payments by Electronic Funds Transfer. Failure to make a payment electronically will be subject to a penalty of 10 percent for tax returns and 6 percent for prepayments.

CALIFORNIA USE TAX REQUIREMENTS

As part of the increase in use tax collection, the State of California has implemented mandatory registration of qualified purchasers.

Over the years, consumers mistakenly believed that purchases made on the internet are not subject to tax because of the Internet Tax Freedom Act. This 1998 law prevents charging taxes on Internet access fees. However, it does not provide an exemption from tax for purchases made on the Internet. These purchases are subject to tax just like any other purchases.

MANDATORY REGISTRATION OF QUALIFIED PURCHASERS

Under the Qualified Purchaser Program, if you do not hold an active seller's permit in California, you must register and file a use tax return when certain conditions are met. To determine if you are a qualified purchaser, **all of the following conditions must be met:**

- The person receives at least \$100,000 in gross receipts from business operations or gross rental income per calendar year. Gross receipts are the total of **all** receipts, including in state **and** out of state business activities.
- The person is not required to hold a seller's permit or certificate of registration for use tax (under section 6226 of the Revenue and Taxation Code).
- The person does not hold a tax direct payment permit as described in section 7051.3 of the Revenue and Taxation Code.
- The person is not otherwise registered with the CDTFA to report use tax.

You may register online at www.cdtfa.ca.gov/services/#Register-Renewals. More information about the registration process can be found at <http://www.cdtfa.ca.gov/taxes-and-fees/qualified-purchaser.htm#Registration>

Registration and Reporting are not considered voluntary. You MUST register and report, even if you have no taxable purchases or tax payable.

COMMON EXAMPLES OF WHAT IS SUBJECT TO USE TAX

Machinery and equipment
Computers, printers, electronic equipment
Office furniture and supplies
Computer programs shipped on a disc
CD's and books

COMMON WAYS OF PURCHASING OUT OF STATE GOODS SUBJECT TO USE TAX

Internet purchases (Amazon.com and eBay)
Certain foreign purchases
Shopping channel purchases

Mail order & phone purchases

Farm Equipment and Machinery

There is a partial sales and use tax exemption for farm equipment and machinery, and the parts thereof, purchased by a qualified person engaged in an agricultural business described in SIC Codes 0111 to 0291 and any other person who assists that person in the lines of business described in those SIC Codes, that is used primarily in producing and harvesting agricultural products (R&TC Sec. 6356.5). "Primarily" means 50% or more of the time.

This is an exemption only from the State general fund portion of the sales and use tax rate, currently 6%. You are not relieved from your obligations for the local and district taxes on these transactions. Rates will vary depending on location.

Diesel Fuel Used for Farming

There is a partial sales tax exemption for diesel fuel used in farming activities or food processing. Farming activities mean farming business, as defined in IRC Sec. 263A, and includes the transportation and delivery of farm product to the marketplace (AM 426, Ch. 01-156) (R&TC Sec. 6357.1).

This is an exemption only from the State general fund portion of the sales and use tax rate. You are not relieved from your obligations for the local and district taxes on these transactions. Rates will vary depending on location. More information can be found at <https://www.cdtfa.ca.gov/taxes-and-fees/sales-and-use-tax-exemptions.htm>

MISCELLANEOUS INFORMATION

Form 8300 - Report of Cash Payment Over \$10,000

Generally, each person engaged in a business or trade who, in the course of such trade or business, receives more than \$10,000 in cash (currency or cashier's check) in one transaction or in two or more related transactions must file Form 8300. The Form must be filed with the Internal Revenue Service by the 15th day after the date the cash was received.

More information about filing requirements and penalties can be found at <https://www.irs.gov/businesses/small-businesses-self-employed/irs-form-8300-reference-guide>.

California Employee Paid Sick Leave

As of July 1, 2015, employers are required to offer at least 24 hours of annual paid sick leave to full-time California employees. An employee will begin to accrue paid sick leave after 30 days of employment and is eligible to use their accrued sick leave after 90 days. Vacation, holidays, medical, dental, vision coverage and retirement benefits are not required by law. An employer has two options for sick leave that has not been used by an employee at the end of the year – a year-end lump sum payment of up to 24 hours to be paid out at the start of the next year or a rollover of up to 24 unused sick leave hours to the next calendar year. Unused sick leave does not need to be paid out upon termination. More information can be found at http://www.dir.ca.gov/dlse/Paid_Sick_Leave.htm.

Standard Automobile Mileage Rates for 2020

The IRS has published optional standard mileage rates that taxpayers can use in 2020 to compute deductible costs of operating autos for business, charitable, medical, or moving expense purposes. The new rates are:

- 58 cents per mile for business miles driven;
- 20 cents per mile for medical or moving purposes; and
- 14 cents per mile driven in service of charitable organizations

Unclaimed Property

California's Unclaimed Property Law (Code of Civil Procedure, Section 1500 Et seq.) requires business owners to review their records each year to determine if any unclaimed funds, securities, or other property have remained unclaimed for the required dormancy period. The law requires the "holders" of such property to send notice to the owner's address of record not less than 6 months nor more than 12 months before the account becomes reportable to the California State Controller's Office. Additionally, the law requires these "holders" to annually report such unclaimed property to the State Controller's Office.

Unclaimed property includes, but is not limited to uncashed payroll and accounts payable checks, aged accounts receivable credit balances, outstanding money orders and outstanding customer discounts or undistributed dividends and rebates.

When ten or more accounts are reported and remitted, the report must be submitted electronically. In addition, a holder of cash unclaimed property in an amount of \$20,000 or more is required to submit the cash unclaimed property electronically. A penalty of 2% of the amount of the payment will apply for noncompliance.

To access information, publications, forms and instructions regarding this program, please use the following website: https://www.sco.ca.gov/upd_rptg.html.

The state can impose interest at 12% per year for unclaimed property payments that have not been properly submitted. Also, any person who willfully fails to render any report or perform other duties, including use of the report format described in section CCP 1530, required under this chapter shall be punished by a fine of \$100 for each day such report is withheld or such duty is not performed, but not more than \$10,000.

Affordable Care Act ("ACA") or Health Care Law

As of January 1, 2015, the ACA or Health Care Law went into effect with employers subject to the new rules. Large employers (generally 50 full-time employees or more) are subject to penalties while small employers (generally 49 or less full-time employees) may be exempt or eligible for tax credits for providing insurance to their employees. For more information on requirements can be found at www.irs.gov/Affordable-Care-Act/Affordable-Care-Act-Tax-Provisions or talk to your health insurance representative.

New for 2020 - California Individual Health Coverage Mandate

California's new individual health insurance mandate (2019 Ch. 38, SB 78) requires state residents to maintain minimum essential coverage (MEC) for themselves and their dependents starting January 1, 2020 or pay a state tax penalty. The California MEC definition substantially mirrors the ACA definition of MEC. Self-insured plan sponsors, health insurers, and other entities that provide MEC to residents must report to the California Franchise Tax Board (FTB) by March 31 of the year after close of each coverage year.

To prepare for the new law's implementation on January 1, 2020, employers with employees in California should:

- Coordinate with their insurance carriers and self-insured medical plan vendors to stay informed about updates, including announcements giving reporting details.
- Watch for guidance on employee notice requirements and in the absence of specific rules, consider informing affected employees about the mandate.
- Coordinate with ACA reporting vendors to ensure that you are prepared for the filings that will be due in the first quarter of 2021.

For more information on the California Individual Health Coverage Mandate, visit <https://www.ftb.ca.gov/about-ftb/newsroom/health-care-mandate/index.html>

New for 2020 - New Employment Credit for California

The New Employment Credit (NEC) is a California tax credit that encourages hiring and employment in parts of the state. To claim the credit, businesses must have employees working in an eligible area, known as a Designated Geographic Area (DGA). The DGA includes census tracts in the state with higher unemployment and poverty rates and excludes tracts with lower rates. Taxpayers wanting to claim the credit should check the map to see if the area where they are doing business is within the newly defined DGA as this new designation will be effective January 1, 2020. To view the map visit: <http://maps.gis.ca.gov/gobiz/dga/default.aspx>

For more information on the NEC visit:

<https://www.ftb.ca.gov/about-ftb/newsroom/tax-news/december-2019/new-employment-credit-changes-beginning-in-january-2020.html>

New for 2020 – Revised Form W-4, Employee’s Withholding Certificate

The IRS has developed a new version of Form W-4 for new employees in 2020. Employees hired in 2019 or earlier do not need to submit a new Form W-4 but will need to use the newly revised form if they wish to adjust their withholdings.

More information, including a link to the newly revised Form W-4 may be found at <https://www.irs.gov/forms-pubs/about-form-w-4>.

Should you have any questions, please do not hesitate to call **(831) 784-6000**.

Sincerely,

Ryan & McDonald LLP