



Payroll and Information Reporting Guide 2017 – 2018

2017 Year End Payroll Information

It is important to remember that wages are not limited to salary, but include other payments that are actually or constructively paid to an employee. The following is a listing of some of the more common payment arrangements that may need to be included as wages and reported on an employee's Form W-2.

Bonuses Whether paid in cash or otherwise, bonuses are supplemental wages subject to income tax withholding, social security, Medicare, and FUTA, unless they are non-cash gifts of minimal value. Please note that gift certificates are considered cash and thus are treated the same as a cash bonus.



Awards and prizes When given to an employee as a result of the employee's performance on the job, awards and prizes are generally subject to income tax withholding, social security, Medicare, and FUTA, whether they are cash or non-cash.

However, if a non-cash award is given to an employee for length of service or safety achievement, and is awarded as part of a meaningful presentation, the value can be excluded from the employee's income. The most that can be excluded for the cost of all employee achievement awards to the same employee for the year is \$400. A higher limit of \$1,600 may apply in certain circumstances under a written qualified plan.

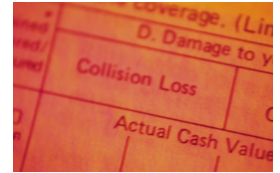


Personal use of a company owned vehicle or airplane This is considered a fringe benefit that is includible in an employee's wages, and is subject to income tax withholding, social security, Medicare, and FUTA. However, the employer may elect not to withhold

income taxes when a written notice is given to the

employee. We can provide you with the forms necessary to calculate the value of this fringe benefit, or we can perform the calculation for you.

Group-term Life Insurance The value of group-term life insurance coverage in excess of \$50,000 is includible as wages, and is subject only to social security and Medicare taxes, but not FUTA or income tax withholding. If this situation applies to you, please contact us for the information necessary to determine the amount to be included in an employee's taxable income.



Health Insurance or Disability Premiums For S corporations paying health insurance and/or accident disability premiums on behalf of a shareholder-employee who owns more than two percent of the corporation's stock, the premiums must be added to the shareholder's taxable wages. This amount is not subject to social security, Medicare, or FUTA, but is subject to income tax withholding and Tri-Met.

Note Adjustments may also need to be made to an employee's Form W-2 for certain benefit programs. Two of the most common benefit programs are discussed below.

Retirement Plans Retirement plan deferral rules and limitations vary depending on the plan. Employee salary reduction arrangements (SAR-SEP), SIMPLE plan deferrals, and 401(k) deferrals are subject to social security, Medicare, and FUTA taxes, but are excluded from an employee's taxable income and are exempt from income tax withholding. The maximum annual elective deferral limitations for the following types of retirement plans are:

	2017	2018
401(k) and SAR-SEP	\$ 18,000	\$ 18,500
Catch-up provision if 50 or older	\$ 6,000	\$ 6,000
SIMPLE IRA	\$ 12,500	\$ 12,500
Catch-up provision if 50 or older	\$ 3,000	\$ 3,000

Cafeteria Plans Cafeteria plans are benefit plans under which employees can choose among cash and certain qualified benefits. Generally, qualified benefits under a cafeteria plan are not subject to social security, Medicare, FUTA, or income tax withholding. However, if an employee elects to receive cash instead of any qualified benefits, the cash is treated as wages subject to all employment and income taxes.

The items listed above are by no means all-inclusive of the numerous payment and benefit arrangements practiced today. If you have any special arrangements with your employees and are concerned about how to report them, we would be glad to assist you.

2017 - 2018 Payroll Information

FICA (Social Security and Medicare Tax) The following table summarizes the FICA wage limits and tax rates for 2017 and the 2018 limits and rates.

	2017	2018
Social Security wage base	\$ 127,200	\$ 128,400
Medicare wage base	No limit	No limit
Social Security percentage	6.2%	6.2%
Medicare percentage	*1.45%	*1.45%
Total FICA percentage	7.65%	7.65%
Maximum Social Security withholding	\$ 7,886.40	\$ 7,960.80
Maximum Medicare withholding	No limit	No limit

* Additional Medicare tax at a rate of .9%, for a combined rate of 2.35%, must be withheld on wages paid to an individual in excess of \$200,000 (\$250,000 for married couples filing jointly) in a calendar year without regard to the employee's filing status or wages paid by another employer.

Income Tax Withholdings (Federal, State, and Local) You should be receiving a new income tax withholding booklet, Circular E, from the Internal Revenue Service. Begin using the new tables for payroll paid after December 31, 2017. The Oregon withholding tables to be issued December 2017 should be used for 2018.

FUTA (Federal Unemployment Tax)

	2017	2018
FUTA wage base	\$ 7,000	\$ 7,000
FUTA percentage	6%	6%
State unemployment tax credit	5.4%	5.4%
Net FUTA percentage	.6%	.6%
Maximum net federal unemployment tax	\$ 42	\$ 42

FUTA rates for 2018 have not been released and are subject to possible change. File your 2017 Employer's Annual Federal Unemployment (FUTA) Tax Return (Form 940) by January 31, 2018.

Deposit Requirement If your FUTA tax liability for a quarter is \$500 or less, you do not have to deposit the tax. You may carry it forward and add it to the liability figured in the next quarter to see if you must make a deposit.

Non-payroll Income Tax Withholding Income tax withheld during 2017 on non-payroll items such as retirement distributions, must be reported on Form 945, Annual Return of Withheld Federal Income Tax. This return is due January 31, 2018.

SUI (State Unemployment Tax) You should have been notified by the Oregon Department of Revenue of your state unemployment tax rate for 2018. If you have retained a payroll service to process your payroll, make sure you notify them of your new tax rate.

	2017	2018
SUI wage base	\$ 38,400	\$ 39,300
SUI percentage	1.8 - 5.4%	0.9 - 5.4%
Taxable base tax rate (new employer rate)	2.6%	2.4%

Tri-Met Transit District If your employees work within the Tri-Met Transit District, wages paid to them will be subject to the Tri-Met Transit District tax.

	2017	2018
Tri-Met Transit District tax rate	.7437%	.7537%

Workers' Compensation Assessment Workers' compensation expense is made up of two components: the hourly assessment and the insurance coverage. Only the hourly assessment is reported on the Oregon Quarterly Combined Tax Report (Form OQ). The insurance coverage is still paid to your private insurance company. If hours are not tracked, employers may calculate total hours using 173.33 hours per month or 40 hours per week, prorated for part-time workers.

Hourly Rate	2017	2018
Workers' comp. assessment	\$.028	\$.028
Employee's maximum	\$.014	\$.014
Employer's minimum	\$.014	\$.014

New Payroll Tax Beginning July 1, 2018, Oregon will impose a payroll tax of .1% on the wages of employees who are:

- Residents of Oregon; or
- Nonresidents performing services in Oregon.

If an employer fails to withhold this tax, they will be responsible for paying the tax. If an employer fails to withhold this tax, the law imposes a penalty of \$250 per employee, with a maximum penalty of \$25,000. Residents of Oregon subject to the tax who earn wages outside Oregon will be responsible for paying the tax.

Mileage Rate The standard mileage rate is used to calculate the deductible costs of operating a vehicle for business purposes. Any reimbursement to an employee should not be treated as taxable income.

	2017	2018
Business Mileage	\$.535	\$.545



New Hire Reporting Requirements

You must complete and keep for your records, federal Form I-9, Employment Eligibility Verification Form, for each new employee you hire. The form is issued by U.S. Citizenship and Immigration Services to confirm that the employee is legally qualified to work in

the United States. Employers are entitled to ask for and copy the necessary documents as outlined in Form I-9. Employers must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and related to the individual, and record the document information on Form I-9.

For Oregon, the name, address, and social security number of newly hired and rehired employees are required to be reported to the Division of Child Support. New hires and rehires must be reported within 20 days of hire or rehire by mailing Form W-4, the Oregon Employer New Hire Reporting Form, or a similar list to the Department of Justice, Division of Child Support, Employer New Hire Reporting Program, 4600 25th Avenue N.E., Suite 180, Salem, Oregon 97301. Be sure to include your company name, address, and federal tax identification number. You may also fax the required information toll free to (877) 877-7416. Most payroll tax services will automatically file the necessary information, but employers should confirm that this service is provided.

Electronic Deposit Requirements If you make payroll tax liability deposits in any manner other than paying them with the quarterly return, you are required to deposit them electronically through EFTPS. You will need to sign up for EFTPS. It's easy and it's free. To enroll in EFTPS, complete the application online at www.eftps.gov. We would be glad to assist you with enrollment and answer any questions you may have regarding EFTPS.

Wage and Tax Statements (Forms W-2, W-3, and WR) The completed 2017 Forms W-2 must be distributed to your employees by January 31, 2018. Failure to do so by this date may result in a \$50 to \$260 penalty per W-2, depending on when filed. Copies of Forms W-2 and the related transmittal Form W-3 must also be sent to the Social Security Administration by January 31, 2018. A single 30-day extension to file Forms W-2 is available, but is not automatic. Penalties can increase to \$530 per return with no annual cap for intentional disregard of these filing requirements.

All Oregon businesses are required to electronically transmit their 2017 W-2 information to the Oregon Department of Revenue. If you use a third party payroll provider, they should be electronically filing for you and there should be nothing further you need to do.

If you are using QuickBooks payroll, please note that not all versions of QuickBooks payroll will take care of this requirement. You need to confirm that your subscription includes electronic filing of Oregon Forms W-2.

If you process your own payroll or use certain versions of QuickBooks payroll, please visit <http://www.oregon.gov/DOR/programs/businesses/Page/s/iwire.aspx> to electronically file your Forms W-2 with Oregon on or before January 31, 2018.

For instructions on how to submit your information to the Oregon Department of Revenue, please refer to the iWire Direct Manual Entry Instructions.

The Oregon Annual Withholding Tax Reconciliation Report (Form OR-WR) must be filed with the Oregon Department of Revenue on or before January 31, 2018. Employers are not required to attach copies of Forms W-2 to the report. You should retain the W-2 information in your files, as the Department of Revenue may request this information at a later date to reconcile your account.

Annual Information Returns (Forms 1099)

Forms 1099, reporting certain interest, rent, royalties, etc., must be distributed to the payees by January 31, 2018. Copies of Forms 1099-MISC reporting any non-employee compensation and the related transmittal, Form 1096, must also be filed by January 31, 2018 whether by paper or electronically. Copies of Forms 1099 reporting amounts other than non-employee compensation must be filed by February 28, 2018. If filed electronically, the due date is April 2, 2018.

The following listing of Forms 1099 and their requirements is not all inclusive, but is a summary of the most common filings.



Miscellaneous Income (Form 1099-MISC)

Form 1099-MISC is required to be issued to non-incorporated entities, including partnerships, LLCs, and individuals when you 1) pay \$600 or more for fees, commissions, or other forms of compensation to an individual who is not your employee, but performed services for your business, 2) give prizes, awards, or make other payments of \$600 or more that are not for services performed for your business, 3) make payments of \$10 or more for royalties, 4) pay \$600 or more for rent (unless paid to a real estate agent), or 5) pay \$600 or more for legal fees in the course of your trade or business regardless of whether the attorney is incorporated or not. If the amount paid was for legal and settlement fees, and the amount for legal fees cannot be determined, the gross proceeds paid to your attorney should be reported in Box 14.

Dividend Income (Form 1099-DIV) Form 1099-DIV is required when 1) payments of \$10 or more in dividends or capital gains distributions on stock are made, or 2) a distribution of \$600 or more as part of a liquidation occurs. Generally, Form 1099-DIV is not required for distributions to a shareholder of an S corporation. Form 1099-DIV is not required for dividends paid to corporations.

Interest Income (Form 1099-INT)

Form 1099-INT is required when interest of \$10 or more is paid in the course of your trade or business. Form 1099-INT is not required for interest paid to corporations.



Retirement Distribution (Form 1099-R) Form 1099-R is required for 1) distributions of \$10 or more from pension or profit-sharing plans, IRAs, SEPs, insurance contracts, or annuities, or 2) death benefit payments made by employers that are not made as part of a pension, profit-sharing, or retirement plan.

Mortgage Interest (Form 1098) Form 1098 is required when \$600 or more of mortgage interest or certain points are received from individuals in the course of their trade or business.

Oregon Forms 1099 Filing Requirements

The Oregon Department of Revenue now requires information returns for all businesses to be filed electronically with the state on or before January 31, 2018. For tax year 2017, all payers issuing information returns are required to file Forms 1099 electronically using iWire. We will be available to electronically file your 2017 Forms 1099.

OregonSaves Oregon is rolling out OregonSaves, its new retirement savings program. The goal is to provide retirement savings options to employees who are currently not being offered a retirement plan. Employers who don't have an existing employer-sponsored plan, and also have employees working in Oregon, must register and enroll for OregonSaves.

The OregonSaves registration will be communicated broadly using a variety of means. OregonSaves is taking a phased approach to rolling out the program, starting with larger employers. Oregon will work to contact employers to advise them that they must register for the program and by what date they must enroll participating employees. Regardless of these efforts, employers are responsible for taking action within the deadline associated with businesses of their size.

During the registration process, you provide basic information about your business to determine if you must enroll in the program. If you are required to enroll, you will complete an enrollment process and verify or provide a limited amount of additional information and complete the enrollment process. The State will notify employers directly when they will be required to register or certify that they are exempt from the program and will include instructions and due dates. For more information, please visit OregonSaves.com

If you have any questions regarding the information in this guide, or would like our assistance with Forms 1099 or payroll issues, please do not hesitate to call.



Pittman & Brooks
CERTIFIED PUBLIC ACCOUNTANTS

15255 Southwest 72nd Avenue
Portland, Oregon 97224
OFFICE 503.684.9233
FAX 503.684.6459
WEB www.pittman-brooks.com