

Payroll and Information Reporting Guide



Pittman & Brooks
CERTIFIED PUBLIC ACCOUNTANTS

2025
2026

Table of **Contents**

| | |
|---|---|
| 2025 Year End Payroll Information | 1 |
| 2025 - 2026 Payroll Information | 2 |
| Annual Information Returns (Forms 1099) | 4 |
| Oregon Forms 1099 Filing Requirements | 5 |

2025 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, FUTA, SUI and Tri-Met 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, FUTA, SUI and Tri-Met 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, FUTA, SUI and Tri-Met. 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 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, SUI, Tri-Met 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, including long-term care and Medicare premiums, 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, FUTA or SUI 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 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 non-Roth 401(k) deferrals are subject to social security, Medicare, FUTA, SUI and Tri-Met 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:

| | 2025 | 2026 |
|-----------------------------------|-----------|-----------|
| 401(k) and SAR-SEP | \$ 23,500 | \$ 24,500 |
| Catch-up provision if 50 or older | \$ 7,500 | \$ 8,000 |
| Catch-up provision if 60-63 | \$11,250 | \$ 11,250 |
| SIMPLE IRA | \$ 16,500 | \$ 17,000 |
| Catch-up provision if 50 or older | \$ 3,500 | \$ 4,000 |
| Catch-up provision if 60-63 | \$5,250 | \$ 5,250 |

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 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.

2025 - 2026 Payroll Information

FICA (Social Security & Medicare Tax)

The following table summarizes the FICA wage limits and tax rates for 2025 and the 2026 limits and rates.

| | 2025 | 2026 |
|-------------------------------------|--------------|--------------|
| Social Security wage base | \$ 176,100 | \$ 184,500 |
| 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 | \$ 10,918.20 | \$ 11,439.00 |
| 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)

Employer instructions on how to figure employee withholding are included in Publication 15-T, Federal Income Tax Withholding Methods. The Oregon withholding tables to be issued in December 2025 or January 2026 should be used for 2026. All Oregon withholding changes need to be made using Form OR-W-4.

FUTA (Federal Unemployment Tax)

| | 2025 | 2026 |
|--------------------------------------|----------|----------|
| FUTA wage base | \$ 7,000 | \$ 7,000 |
| FUTA percentage | 6% | 6% |
| State unemployment tax credit | 5.4% | 5.4% |
| Net FUTA percentage | 0.6% | 0.6% |
| Maximum net federal unemployment tax | \$ 42 | \$ 42 |

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 2025 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 February 2, 2026.

SUI (State Unemployment Tax)

You should have been notified by the Oregon Department of Revenue of your state unemployment tax rate for 2026. If you have retained a payroll service to process your payroll, make sure you notify them of your new tax rate.

| | 2025 | 2026 |
|---|-----------|-----------|
| SUI wage base | \$ 54,300 | \$ 56,700 |
| SUI percentage | 0.9-5.4% | 0.9-5.4% |
| Taxable base tax rate (new employer rate) | 2.4% | 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.

| | 2025 | 2026 |
|-----------------------------------|---------|---------|
| Tri-Met Transit District tax rate | 0.8237% | 0.8237% |

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.

| | 2025 | 2026 |
|--------------------------|---------|---------|
| Workers' comp assessment | \$.020 | \$.018 |
| Employee's Maximum | \$.010 | \$.009 |
| Employer's Maximum | \$.010 | \$.009 |

Statewide Transit Tax

Oregon imposes a statewide transit payroll tax on the wages of employees who are:

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

The rate is .1% for 2025. If you fail to withhold this tax, the law imposes a penalty of \$250 per employee, with a maximum penalty of \$25,000 and you will be responsible for paying the tax. Residents of Oregon subject to the tax who earn wages outside Oregon will be responsible for paying the tax.



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 within 20 days to the Division of Child Support by mailing Reporting Form for New Hires and Individual Independent Contractors, or a similar list, to Oregon Child Support Program, Employer New Hire Reporting, PO Box 14680, Salem, OR 97309. Be sure to include your company name, address, and federal tax identification number. You may also fax the required information to 877-877-7415 or use [the Oregon Employer Services Portal](#) (recommended). If using the portal, the information is due within 12 days. Most payroll tax services will automatically file the necessary information, but employers should confirm that this service is provided.

Due to Oregon legislation passed in 2023, employers will need to include independent contractors in their reports to the Division of Child Support. Reporting must include independent contractors who complete an IRS Form W-9 and work for more than 20 days, if they are hired or rehired following a break of 60 days or more. If you're using a third-party payroll service, we

recommend looking into their contractor management features. They might offer services to fulfill this reporting requirement for you.

Electronic Deposit Requirement

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 & Tax Statements (Forms W-2 & W-3)

The completed 2025 Forms W-2 must be distributed to your employees by January 31, 2026. Failure to do so by this date may result in a \$60 to \$340 penalty per W-2, depending on when filed. Penalties can increase to \$680 per return with no annual cap for intentional disregard of these filing requirements. Copies of Forms W-2 and the related transmittal Form W-3 must also be sent to the Social Security Administration by February 2, 2026. A single 30-day extension to file Forms W-2 is available but is not automatic.

All Oregon businesses are required to electronically transmit their 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. The Oregon Annual Withholding Tax Reconciliation Report (Form OR-WR) must be filed with the Oregon Department of Revenue on or before February 2, 2026.

If you process your own payroll or use certain versions of QuickBooks payroll, please visit the [Oregon Department of Revenue iWire portal](#) to electronically file your Forms W-2 with Oregon on or before February 2, 2026.



Annual Information Returns (Forms 1099)

Forms 1099, reporting certain interest, rent, royalties, etc., must be distributed to the payees by February 2, 2026. Copies of Forms 1099-NEC reporting any nonemployee compensation and the related transmittal, Form 1096, must also be filed by February 2, 2026, whether by paper or electronically. Copies of Forms 1099 reporting amounts other than non-employee compensation must be filed by March 2, 2026. If filed electronically, the due date is March 31, 2026. Failure to do so by this date may result in a \$60 to \$340 penalty per return, depending on when filed. Penalties can increase to \$680 per return with no annual cap for intentional disregard of these filing requirements.

In addition to the two free options offered by the IRS ([FIRE System](#) and [IRIS](#)), there are many popular paid services, including [Tax1099.com](#), which is known for its partnership with Intuit's QuickBooks. If you are filing Forms 1099 for your company, we encourage you to research all available options for the best fit for you.

Request, Receipt, and Maintaining Forms W-9

Individuals and entities that are required to file information returns must also request, receive, and maintain records of the received Forms W-9. If the individual or entity fails to provide the requested W-9 they may be subject to a penalty of \$50, and the requester should immediately begin backup withholding and remit to the IRS. In addition, the requester of the Taxpayer Identification Number (TIN) should make 3 solicited attempts to obtain the requested information to avoid penalties for failing to include the TIN on the information return.

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



Miscellaneous Information (Form 1099-MISC)

Form 1099-MISC is required to be issued to non-incorporated entities, including partnerships, LLCs, and individuals when you 1) give prizes, awards, or make other payments of \$600 or more that are not for services performed for your business, 2) make payments of \$10 or more for royalties, 3) pay \$600 or more for rent (unless paid to a real estate agent), or 4) pay \$600 or more for amounts paid to attorneys that are not paid for legal services, such as for settlement fees, regardless of whether the attorney is incorporated or not. If the amount paid was for both 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 10. The \$600 threshold will rise to \$2,000 for 2026.

Nonemployee Compensation (Form 1099-NEC)

Form 1099-NEC 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, or 2) 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 on Form 1099-MISC, Box 10. The \$600 threshold will rise to \$2,000 for 2026.

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 in the course of your trade or business from individuals, including sole proprietors.

Oregon Forms 1099 Filing Requirements

The Oregon Department of Revenue requires most information returns for all businesses to be filed electronically with the state on or before January 31, 2026. Let us know if you need assistance with electronically filing your 2025 Forms 1099.

OregonSaves

In 2018, Oregon introduced OregonSaves, its retirement savings program. The goal is to provide retirement savings options to employees who were currently not being offered a retirement plan. Employers who have employees working in Oregon, but don't have an existing employer-sponsored plan, must register, and enroll for OregonSaves. 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](https://oregonsaves.com)

Paid Leave Oregon

Oregon employers are required to report payroll and contributions to the Paid Family and Medical Leave program. Large employers (with 25 or more employees) will pay 40% of the 1% total contribution rate, while employees cover the remaining 60%. Small employers (less than 25 employees) are exempt from employer contributions but must withhold and submit employee contributions. Contributions and reporting are done quarterly through Frances Online. Additionally, employers must ensure eligible employees receive paid leave and job protection as mandated. For more details, visit the [Paid Leave Oregon website](#).

Metro Supportive Housing and Portland Preschool for All

These are two local taxes to fund housing services for people experiencing or at risk of experiencing homelessness in the Metro District and to establish a tuition-free preschool program for 3- and 4-year-olds in Multnomah County. Employers with a Metro District and/or Multnomah County location are required to withhold these taxes for all employees who earn \$200,000 or more annually. Employees have the opportunity to opt in/out of withholding by completing the METRO/MultCo OPT form.



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.



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