

MVSBO on 12/12/19

Student Workers, Supplemental Pay, Fringe Benefits and Form 1099

By Wendy Speelman
Federal, State & Local Govt., IRS

WIRS Where to File?

Special Filing Addresses for exempt organizations, federal state and local governmental entities; regardless of location

Form 941:

Without a Payment:

With a Payment:

Department of Treasury Internal Revenue Service Ogden, UT 84201-0005 Internal Revenue Service P.O. Box 932100 Louisville, KY 40293-2100

page 6 of Form 941 instructions

This is a NEW address

WIRS What to do at end of tax year?

- By January 31:
 - File Form 941 quarter ending 12/31
 - Furnish W-2's to employees
 - Furnish 1099's to recipients
 - File W-2's and W-3 with SSA
 - File 1099's & 1096 with IRS

MIRS Form W-4

- Redesigned due to Tax Cuts & Job Act
 - · Eliminated traditional exemptions
- No withholding allowances so title of form changed to:
 - · Employee Withholding Certificate
- irs.gov in search box type w-4
 - · Form, tax estimator, FAQ

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WIRS Updating Form W-4

- Paycheck Checkup everyone should check their withholding even if did last year
- Improvements were made to the Tax Withholding Estimator in 2019
- 1/1/20 new W-4 must be used by:
 - All new employees
 - · Current employees adjusting withholding

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IRS Form W-4 Information

- Employees are NOT required to submit a new W-4 because of the redesign
- Employer continue to W/H based on most recently submitted Form W-4
- Employer may ask employee to submit a new W-4 as long as the request explain:
 - Not required to submit new Form W-4 &
 - If they don't, withholding will continue based on previous W-4

MIRS Student FICA Exception

- Students don't pay into SS or Medicare if:
 - Student works for the school they attend
 - Enrolled and regularly attending classes
 - Not on break for more than five weeks

MIRS Student Worker in Summer

- If working in summer than pay into FICA starting with day one, not after 5 weeks
- If work during school year and summer then part of wages not subject to FICA and part of wages is subject to FICA

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Supplemental Pay

WIRS Supplemental Pay

Compensation paid in addition to regular wages

Examples

- Bonuses
- Commissions
- Overtime pay
- Awards & Prizes
- Fringe benefits
- Expenses paid under non-accountable plan
- Retro pay increases for current employees
- Accumulated sick leave
- Severance & Back pay

MIRS Combined with Regular Wages

- If supplemental and regular amounts are not specified then:
 - Withhold income tax as if regular payroll single payment
 - Withhold using Form W-4

Publication 15

IRS Separately identified

- Separate payment or combined but specified amount
 - 1. Withhold flat 22% OR
 - 2. Add supplemental and regular wages
 - Figure tax
 - Subtract tax withheld on regular pay
 - Withhold difference

WIRS W-4

- \$1,000 penalty for:
 - Willfully supplying false or fraudulent information on Form W-4
 OR
 - Willfully failing to supply information that would increase the withholding

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MIRS Day Meals

- If the employer reimburses or pays for meals on a day trip then:
 - Include the cost of meal reimbursed to the employee in their payroll as a fringe benefit
 - Subject to Federal Income Tax,
 Medicare and SS if have SS wages
 - Revenue Ruling 75-432 & 75-170

MIRS Day Meals continued

- If union contract says to pay for meals then reimburse but include in wages
- If have policy to pay for meals if traveling out of county it is still taxable and included in wages
 - Must include in payroll the amount of lunch as a noncash item

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Meals at Meetings

- "Directly Related" Meals Not Taxable if
 - · Clear business setting
 - Meals as part of business meetings
 - Meals at service club or professional meetings
 - Example Rotary, Chamber of Commerce, Professional Association

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Meals at Conferences

- "Associated With" Meals Tax-Free not included in wages if
 - · Meals at conventions
 - · Meals at conferences
 - Does not include going to lunch with co-worker (this would be personal & taxable = include in wages)

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De Minimis Meals

- De Minimis Meals not taxable if all 3 conditions are met:
 - 1. Occasional Basis not provided regularly and reasonable in value
 - Provided for overtime work an extension of normal work schedule
 - 3. Enables overtime work enables the employee to work overtime

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De Minimis Fringe Benefits

Excludable from income if occasional:

- · Personal use of copier
- · Occasional coffee, doughnuts or pop
- Flowers or fruit for special circumstances
- Traditional birthday or holiday gifts (not cash) with a low FMV
- Group meals, employee picnics

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Not De Minimis Fringe Benefits

- Cash
- · Gift certificates
- · Savings Bonds
- Commuting use of employer's vehicle more than once a month

MIRS Automobile Expenses

- Employee car used for employer's business
- 2019 .58 cents per mile
 - At this rate or less: Non-taxable
 - Excess over rate: Taxable fringe benefit included in wages
- Monthly allowance for driving own car is taxable if no accountability (verifying mileage)

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MIRS Employer Provides Vehicle

- Personal Use
 - · Commuting, spouse or weekend use
- Substantiation Requirements
 - Business & Personal mileage
 - Documentation = personal use is taxable
 - No documentation = all mileage is taxable
 - Exception for some positions/vehicles

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MIRS Valuation of Personal Use

- · Include in wages as a fringe benefit
- 3 Automobile Valuation Rules
 - Auto Lease Valuation Rule
 - · Vehicle Cents-Per-Mile Rule
 - · Commuting Rule

MIRS Auto Lease & Cents Per Mile

- Auto Lease Valuation Rule
 - Applies to all auto doesn't have to be leased
 - Use table in Pub. 15-B to compute value
 - · Value the fuel if provided by 5.5 cents
- · Vehicle Cents-Per-Mile Rule
 - Drive 10,000 miles by employee & FMV
 - 2018 & 2019 \$50,000 Autos, Vans & Trucks
 - 2017 \$15,900 Auto & \$17,800 Truck & Vans
 - · Then use federal rate 58 cents

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MIRS Commuting in Employer's car

- · From home to office or office to home
- Is it commuting if you:
 - Go home for lunch
 - Get called out from your home at 6AM for a water main break & when done go to office
- Employee can't say they stop somewhere everyday to avoid being taxed

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MIRS Commuting Rule

- \$1.50 per one-way commute if:
- · Vehicle owned/leased by employer
- Employer requires the employee to commute for bona fide noncompensatory business reasons
- · Written policy on personal use
- No control employees (elected officials)

MIRS Commuting Method example

- Use the commuting method \$1.50 each way to determine how much should be included
- Superintendent takes car home every day
- Goes to work at 7 AM & goes home for lunch
- · Comes back to office & goes home at 4 PM
- Comes back in for meeting at 7 PM & returns home at 9 PM

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MIRS Commuting Method

- Don't assume \$3 every day worked
- Include commuting on weekends, evening and lunch
- If someone is salary do you know if they came in on weekends or evenings
- Could have business trip on way in or home and then wouldn't be commuting

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WIRS Uniform Requirements

For uniforms to be nontaxable and not be included in the employee's wages they must:

- · Be required by employer to be worn
 - Must be in written policy
 - Can't be optional if they wear them
- Not be adaptable to every day street wear

*Ball Caps *Plain belts *T-shirts *Socks *Under Armour *All shoes unless *Sweatshirt *Steel toe (safety) *Carhart jacket *Jeans *Polo Shirts

MIRS How Clothing is Purchased

- Uniform rules applies to:
 - · If the employer purchases the clothing
 - If the employee purchases and the employer reimburses the employee
 - If purchased thru a rental company

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MIRS Accountable Plan

- Allowances paid through non- accountable plan are Taxable
 - If give employee \$200 for uniform and they don't provide substation (receipts) then must include in W-2
 - · Business Connection
 - · Return excess in reasonable time

MIRS Law & Court Cases

- If clothing suitable for taking the place of regular clothing, include in W-2
 - IRC 162 & 262
 - Mella v. Commissioner T.C. Memo 1968-594
- Not enough that the employee does not wear the clothing away from work
 - Pevsner v. Commissioner 628 F.2d 467

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MIRS Employer Provided Cell Phones

If provided for noncompensatory business reason then excluded from income:

- Business use as working condition fringe henefit
- Personal use as de minimis fringe benefit
- Effective after 12/31/09
- Notice 2011-72 & Publication 15-B

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IRS Non-compensatory business reason

- Must be substantial business reasons for providing the cell phone
- Example of substantial business reasons:
 - Need to contact employee at all times
 - Require employee be available to speak to clients when away from office
 - Need to speak to clients in other time zones, not in employee's normal workday

WIRS Cell Phones Reimbursements

- Employee uses personal cell phone for business
- Employer reimburses at a set amount for business use
- Then don't included in income if:
- · Reimbursement reasonably calculated
- Not in excess of actual expense incurred
 - Review phone bill

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FORM 1099 & W-9



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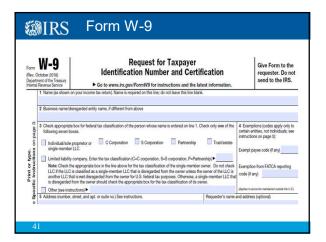
MIRS Form W-9

- Provide to every vendor who performs <u>services</u> for your entity (not merchandise)
- Use to obtain an identifying number of a vendor (SSN, EIN)
- · Identifies type of business
 - Corp., sole proprietor, partnership
- · Substitute form is acceptable
 - Must contain all the same information

WIRS No W-9 Information

- Get the W-9 information <u>before</u> job is awarded or payment is made
- No TIN Payments subject to Backup Withholding (BUW)
- Backup Withhold rate is 24%
- File Form 945 to report BUW & report on Form 1099

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MIRS Form 1099

Payments of \$600 or more per year

- Services
- Sole proprietor, partnership, trusts
- Excludes corporations unless:
 - Medical & Health Care Payments
 - Payments to Attorneys

MIRS Corporations Payments

- Medical and Health Care Payments
 - · Reported in Box 6
 - · Payments of \$600 or more
 - Does <u>not apply</u> if payment made to tax exempt hospital
 - Examples:
 - · Blood test, counseling, vet.
 - Does not include paying premiums

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MIRS Payments to Attorneys

- Report regardless of entity type
- Attorney's Fees
 - · Reported in Box 7
 - Payments of \$600 or more
- · Gross Proceeds paid to Attorneys
 - Report in Box 14
 - Any Amount Paid
 - Don't report in Box 14 if reported in box 7

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MIRS LLC

- LLC = Limited Liability Company
 - Not necessarily a corporation
- Could be corporation, partnership or disregarded entity (sole proprietor)
- Use current version of W-9 (Aug. 2013)
 - Has separate line for LLC

MIRS Form 1099 Misc.

For a single member LLC

- · Recipient's Name
 - Individual name on 1st line
 - LLC name on the 2nd line
- · Recipient's Identification Number
 - Enter SSN or EIN if applicable

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MIRS Form 1099 Misc.

Sole Proprietors - self employed

- · Recipient's Name
 - Individual name on 1st line
 - Optional DBA on the 2nd line
- · Recipient's Identification Number
 - Enter SSN or EIN (IRS prefers SSN)
 - Even if use EIN use individual name on line 1

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WIRS TIN Matching

- · E-service product on the IRS website
- Matches TIN and name combinations with IRS records prior to submitting forms
- · Publication 2108-A or
- IRS.gov and enter TIN Matching
- · Should receive fewer CP2100 notices
 - Use Publication 1281 BUW for missing & incorrect name/TIN

MIRS Common Errors

- Failure to obtain identifying information before making payment (use Form W-9)
- Failure to aggregate payments from all expense categories (use vendor files)
- · Assuming payee is a corporation:
 - Name has "Company or Associates"
 - EIN is furnished

WIRS

Department of the Treasury Internal Revenue Service www.irs.gov