



D. H. SCOTT & COMPANY
 CERTIFIED PUBLIC ACCOUNTANTS
 A LIMITED LIABILITY PARTNERSHIP

PAYROLL TAX & EMPLOYMENT ISSUES IN 2024

With the new year comes the changes in tax rates, payroll tax dates, and the sundry “housekeeping” that keeps your business running smoothly. In this update, we are emphasizing payroll tax and employment issues. We have provided a Payroll Tax Calendar for your reference throughout the year. Remember to review your Federal and State Withholding Tables to make certain they have been updated for recent law changes.

The DE 44 (California Employer’s Guide) and DE 8829 (Household Employer’s Guide) are no longer automatically mailed to employers. If you would like to receive a mailed paper copy of a guide annually in December/January of each year, visit the Online Forms and Publications page at: <https://forms.edd.ca.gov/forms>

FORMS W-2, W-3 & W-4

Legally, W-4 forms previously provided to you that claim exemption from withholding expire on February 15, 2024. For any employee who previously claimed exemption from withholding and has not provided a new W-4, the employer should begin withholding tax as if the employee is single. As the employer, you can be charged penalties for incorrect reporting of a name and/or Social Security Number on Form W-2. Errors not only affect the employer, but the employee as well, as the Social Security Administration is unable to post the earnings records to the employee’s account for benefit purposes.

The deadline for providing your employees’ Form W-2 for 2023 earnings is January 31, 2024. Additionally, Forms W-2 and W-3 must be submitted to the Social Security Administration by January 31, 2024. If you have more than 10 employees, Forms W-2 must be filed electronically with the Social Security Administration.

FORM DE 4

Beginning January 1, 2020, the IRS’s Employee’s Withholding Certificate (Form W-4) is used for federal income tax withholding only. The employee must file the California form Employee’s Withholding Allowance Certificate (DE 4) for the appropriate PIT withholding.

FORM I-9

Employers are required to determine that all new employees are eligible to work in the United States. Form I-9, Employment Eligibility Verification Form, is used as proof of an individual’s identity and eligibility. Form I-9 can be found at: www.uscis.gov/i-9

SPECIAL POINTS OF INTEREST FOR 2024

- Mileage rate increased to 67 cents per mile for business use.
- California Minimum Wage increases to \$16.00/hour.
- FICA Social Security Rate for employees and employers remains at 6.2% each. The limit increases to \$168,600.
- California SDI Rate increases to 1.1%, with no cap or limit on wages.
- FUTA increases by 0.3% per year for California employers until federal loan is repaid.
- California paid sick leave increases from 3 days (24 hours) to 5 days (40 hours).
- The percentage method on Supplemental Wages remains 22% for Federal and remains at 10.23% for California. (For employees receiving \$1 million or more in supplemental wages during the year the Federal rate is 37%).

FEDERAL EARNED INCOME TAX CREDIT NOTIFICATION

All employers are required to notify their employees about the availability of the federal Earned Income Tax Credit (EITC). Written notification must be provided to employees in person or by mail within one week before or after, or at the same time, that you provide an annual wage summary, including, a Form W-2 or a Form 1099. This information can be found on the back of most W-2 forms. More information can be found at: www.irs.gov/

IMPORTANT CALIFORNIA AND FEDERAL FORM 940

As of 2024, California has had an outstanding federal loan balance for three consecutive years. As a result, employers will pay an additional 0.9% on the first \$7,000 paid to employees in the 2024 tax year. This comes to an additional \$63 per employee. You are required to complete Schedule A with your Form 940 to calculate and pay this amount. information can be found at: www.irs.gov/

PAY SCALE DISCLOSURE TO EMPLOYEES AND APPLICANTS

Beginning Jan. 1, 2023, employers with 15 or more employees must include the pay scale in all job postings under California Labor Code 432.3. "Pay scale" is defined by statute as the salary or hourly wage range that the employer reasonably expects to pay for the position. Additionally, if a covered employer posts, announces or publishes job postings using a third party, the employer must provide pay scale information to the third party for it to include in the job posting. Further, upon request, covered employers must provide the pay scale information to current employees and to applicants upon a reasonable request. Failure to comply with the required disclosures allows "aggrieved individuals" to file a written complaint against employers with the Labor Commissioner within one year after learning that employers did not make the required disclosures. Upon a finding that the employer violated the law, the Labor Commissioner may order the employer to pay civil penalties ranging from \$100 to \$10,000 per violation based on the totality of the circumstances. Notably, the Labor Commissioner will not assess a penalty upon first violation of the pay scale disclosure law upon showing that the employer updated job postings for open positions to include the required pay scale in compliance with the law. An aggrieved individual may also bring a civil action for injunctive relief and other relief as deemed appropriate by a court.

NEW HIRE REPORTING REQUIREMENTS

All California employers must report their new or rehired (after 60 consecutive days of separation) employees who work in California to the New Employee Registry no later than 20 days after their start-of-work-date. Employers must report the employee's full name, Social Security number, home address and start-of-work date as well as the Employer's name, address, California employer account number and Federal employer identification number (FEIN).

Visit www.edd.ca.gov for more information and guidance on new employee reporting.

Multi-state employers can also submit reports at: <https://ocsp.acf.hhs.gov/csp/mser>

Reporting Requirements (one of the following):

- CA Form DE 34, either by mail or electronically at: www.edd.ca.gov/Payroll_Taxes/e-Services_for_Business.htm
- A copy of the employee's W-4 with the start-of-work date, California employer account number and FEIN added, or a custom letter with all required information.

INDEPENDENT CONTRACTOR REPORTING

The requirements placed in effect on January 1, 2001, remain an important part of your reporting requirements. Any business or government entity that is required to file a Federal Form 1099-NEC or 1099-MISC for services is required to report information to the State of California Employment Development Department. This information must be reported on The Report of Independent Contractors Form DE 542. The information must be reported within 20 days of the earlier of either:

- Entering into a contract which equals or exceeds \$600; or
- When aggregate payments to an Independent Contractor reach \$600 in a calendar year.

INDEPENDENT CONTRACTOR REPORTING (continued)

The AB5 test, which determines a worker's classification as an independent contractor or an employee, operates under a more restrictive framework where individuals are presumed to be employees unless the company can prove specific criteria. This includes factors like the nature of the work, the level of employer control, and whether the worker is engaged in an independent trade or business.

If you have any questions regarding the reporting requirements, you may contact the EDD by calling 888-745-3886 or visiting their website at www.edd.ca.gov.

MANDATORY E-FILE FOR FORMS 1099 WITH IRS

Starting tax year 2023, if you have 10 or more information returns (Form 1099), then you must file them electronically. This includes Forms W-2, e-filed with the Social Security Administration.

More information can be found on the IRS website: <https://www.irs.gov/filing/e-file-forms-1099-with-iris>

MANDATORY E-FILE FOR CALIFORNIA EMPLOYERS

ALL employers are required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the Employment Development Department (EDD).

Create your payroll tax account at [www.edd.ca.gov/e-Services for Business](http://www.edd.ca.gov/e-Services%20for%20Business).

To request a waiver, complete and submit form DE 1245W.

IMPORTANT: Noncompliance penalties will be charged on certain forms and payments submitted by paper.

CALIFORNIA MANDATORY RETIREMENT WITHHOLDING

California state law now requires that any employer that does not already offer an employer-sponsored retirement plan begin retirement plan withholding. This withholding will either be remitted to an employer-sponsored plan or to Cal Savers, in the event the employer does not begin to sponsor a plan. Remittance to Cal Savers does not require an employer match but does include automatic enrollment of 5% if the employee fails to opt out. Employer participation is mandatory and registration deadlines vary based on employer size.

- More than 100 employees - deadline was September 30, 2020
- More than 50 employees - deadline was June 30, 2021
- Five or more employees - deadline was June 30, 2022
- One to four employees - deadline is December 31, 2025

For more information, please visit: www.calsavers.com

DID YOU KNOW?

California has a program for employers who need to reduce hours but do not want to lay off employees. The Work Sharing Unemployment Insurance program allows for the payment of benefits to individuals whose wages and hours have been reduced. This program is considered a temporary and practical alternative to layoffs. For additional information please visit:

http://www.edd.ca.gov/Unemployment/Work_Sharing_Program.html

CALIFORNIA SICK LEAVE REQUIREMENTS

The California Healthy Workplace Healthy Family Act of 2014 (AB1522), as amended by Senate Bill 3 on April 4, 2016, requires paid sick leave for employees who have worked in California for 30 or more days within a year. Employers must accrue sick time at the rate of at least 1 hour for every 30 hours worked, paid at the employee's regular wage rate, or provide at least 40 hours or 5 days at the beginning of a 12-month period of paid sick leave for each eligible employee to use per year. A poster must be displayed in the workplace and a written notice to employees listing their sick leave rights must be provided at the time of hire. Both notices can be found at :

https://www.dir.ca.gov/dlse/paid_sick_leave.htm

CALIFORNIA REPRODUCTIVE LOSS LEAVE

SB 848 requires employers with five or more employees to provide a confidential leave of up to five days following a reproductive loss event, defined as final day of failed adoption, failed surrogacy, miscarriage or stillbirth. The leave is capped at a maximum of 20 days within a 12-month period, and employees must be permitted to take such leave nonconsecutively. Leave may be unpaid, though employees may use vacation, personal leave, accrued sick leave or other paid time off. More information at: <https://legiscan.com/CA/text/SB848/id/2831773>

Accountable Plan For Reimbursed Expenses

An IRS accountable plan is a set of rules established by the Internal Revenue Service (IRS) that outlines how employers reimburse employees for business expenses. To qualify, the plan must meet three key criteria: expenses must have a direct business connection, employees must provide documentation to substantiate expenses, and any excess payments must be returned to the employer promptly. When these conditions are met, reimbursements are not considered taxable income for employees, and employers can deduct the expenses. This ensures a tax-efficient way for employees to be reimbursed for legitimate business expenses while maintaining compliance with IRS regulations.

For more information visit the IRS Website: <https://www.irs.gov/pub/irs-pdf/p5137.pdf>

California Pay Data Reporting

California Pay Data Reporting, under Senate Bill 973, mandates private employers with 100 or more employees to annually submit pay data reports to address wage disparities. Reports include employee pay information based on gender, race, and ethnicity, with confidentiality emphasized. Annual submissions are required to ensure compliance with California labor laws and are due on or before the second Wednesday of May. For more information visit: <https://calcivilrights.ca.gov/paydatareporting>

Filing Form 1094-C

Form 1094-C is required for applicable large employers (ALEs) with 50 or more full-time employees under the Affordable Care Act (ACA). It summarizes the health insurance coverage offered to employees and includes employer information. ALEs must file this form along with individual Forms 1095-C for each employee to report compliance with the ACA's employer mandate. The filing deadline is typically in February or March, with electronic filing required for ALEs with 250 or more forms. Non-compliance may result in penalties, so employers should refer to the latest IRS instructions to ensure accurate filing. Please be sure to reach out to your health insurance provider and confirm that they are taking responsibility for filing your Form 1094-C and have them provide proof of filing. For more information visit the IRS Website:

<https://www.irs.gov/forms-pubs/about-form-1094-c>

PLEASE READ

We cannot overemphasize the need for employers to use the IRS Circular E, Employer's Tax Guide (Pub. 15) and the California Employer's Guide (DE 44) as a reference. You should also refer to your income tax withholding tables to be sure they are current. Both the IRS and the California Employment Development Department have issued new withholding tables which are effective January 1, 2024. These guides and tax tables are available at:

www.irs.gov

www.edd.ca.gov

2024 CONTRIBUTION LIMITS

	Contribution Limit	Age 50+ Catch Up Contributions	Age 55+ Catch Up Contributions
IRA	\$7,000	\$1,000	\$-
Simple IRA	\$16,000	\$3,500	\$-
401(k), 403(b) and 457	\$23,000	\$7,500	\$-
Defined Contributions	\$69,000	\$7,500	\$-
HSA Individual	\$4,150	\$-	\$1,000
HSA Family	\$8,300	\$-	\$1,000
FSA (Flexible Spending Arrangement)	\$3,200	\$-	\$-

2024 TAX RATES & WAGE LIMITS

Tax	Payee	Rate	Wage Limit
Social Security (FICA)	Employer	6.20%	\$168,600
Social Security (FICA)	Employee	6.20%	\$168,600
Medicare (HI)	Employer	1.45%	No Limit
Medicare (HI)	Employee	1.45%	No Limit
Additional Medicare	Employee	0.90%	No Limit
CA State Disability Insurance (SDI)	Employee	1.10%	No Limit
Federal Unemployment Training Tax (FUTA)	Employer	0.60%	\$7,000
California FUTA Credit Reduction	Employer	0.90%	\$7,000
State Unemployment Tax (SUI)	Employer	Varies	\$7,000

2024 MISCELLANEOUS

California Minimum Wage	\$16.00
Federal Business Mileage	\$0.67
Federal Medical or Moving Mileage	\$0.21
Federal Charity Mileage	\$0.14
California Statewide Sales Tax	7.25% *

* District sales tax rates varies. For more information, refer to CDTFA at: www.cdtfa.ca.gov

PAYROLL AND SALES TAX CALENDAR 2024

January 16, 2024

December Federal and State liability should be deposited if you are a monthly depositor.

January 31, 2024

Last day to distribute 2023 W-2's to employees and most 1099's to recipients (see February 15, 2024 for exceptions).

2023 Forms W-2 and transmittal W-3 due.

2023 Federal Unemployment Tax Return due (Form 940).

2023 4th Quarter Employer Payroll Tax Returns due (Forms 941, DE9 & DE9C).

2023 4th Quarter or Annual FUTA and SUTA deposit due.

2023 Annual Employer Payroll Tax Returns due (Forms 943, 944, 945) if required.

Forms 1099-NEC and transmittal Form 1096 reporting non-employee compensation payments due.

Sales Tax Accounts 2023 Annual return due.

Sales Tax Accounts 2023 4th Quarter return due.

February 15, 2024

January Federal and State liability should be deposited if you are a monthly depositor.

February 29, 2024

Form 1099-MISC and transmittal Form 1096 for vendors not reporting non-employee compensation payments due. (If e-filing, due date is extended to March 31, 2024)

March 15, 2024

February Federal and State liability should be deposited if you are a monthly depositor.

April 15, 2024

March Federal and State liability should be deposited if you are a monthly depositor.

Qualified Purchasers must report and pay Use Tax to the California Dept. of Tax and Fee Administration

April 30, 2024

2024 1st Quarter Employer Payroll Tax Returns due (Forms 941, DE9 & DE9C).

2024 1st Quarter FUTA and SUTA deposit due.

April 30, 2024 (continued)

Sales Tax Accounts 2024 1st quarter return due.

May 15, 2024

April Federal and State liability should be deposited if you are a monthly depositor.

June 17, 2024

May Federal and State liability should be deposited if you are a monthly depositor.

July 15, 2024

June Federal and State liability should be deposited if you are a monthly depositor.

July 31, 2024

2024 2nd Quarter Employer Payroll Tax Returns due (Forms 941, DE9 & DE9C).

2024 2nd Quarter FUTA and SUTA deposit due.

Sales Tax Accounts 2024 2nd Quarter return due.

August 15, 2024

July Federal and State liability should be deposited if you are a monthly depositor.

September 16, 2024

August Federal and State liability should be deposited if you are a monthly depositor.

October 15, 2024

September Federal and State liability should be deposited if you are a monthly depositor.

October 31, 2024

2024 3rd Quarter Employer Payroll Tax Returns due (Forms 941, DE9 & DE9C).

2024 3rd Quarter FUTA and SUTA deposit due.

Sales Tax Accounts 2024 3rd Quarter return due.

November 15, 2024

October Federal and State liability should be deposited if you are a monthly depositor.

December 16, 2024

November Federal and State liability should be deposited if you are a monthly depositor.

Request a new Form W-4 and DE4 from each employee who claimed total exemption from withholding during the year, or whose withholding status will change.

PLEASE NOTE:

The 2024 Payroll Tax Calendar does not include due dates for employers who fall into the semi-weekly deposit requirements (\$50,000 or more total federal tax liability for the look-back period of July 1 to June 30 of the prior year). If wages are paid Wednesday – Friday, deposit by the following Wednesday. If wages are paid on Saturday – Tuesday, deposit by the following Friday. If, on any day, an employer's undeposited federal employment tax liability equals or exceeds \$100,000, taxes must be deposited by the close of the next banking day. If you use EFTPS Direct, the transaction must be processed at least one banking day prior to the due date. If you withhold more than \$350 in California PIT, you may be required to make California tax deposits more frequently. For additional guidance see:

http://www.edd.ca.gov/Payroll_Taxes/Timely_Payroll_Tax_Deposits.html