



West Valley Chapter

The Scoop

Tax Update

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W-4 Submission Changes

Employers No Longer Have to Submit W-4s Claiming Exempt or Over 10 Allowances to IRS

The IRS issued *temporary* regulations virtually eliminating the requirement to submit copies of certain questionable Forms W-4, Employee's Withholding Allowance Certificate, to the IRS. Effective April 14, 2005, employers are no longer required to submit a copy of any Form W-4 on which an employee claims more than 10 withholding exemptions or claims complete exemption from withholding and earns more than \$200 a week. Instead, an employer must submit a copy of any currently effective Form W-4 only if directed to do so in a written notice to the employer from the IRS or under future published guidance. The temporary regulation also address written notices provided to the employer and the employee by the IRS stating the maximum number of withholding allowances permitted for an employee, and the use of substitute forms by employers and employees.

Note: The regulations (temporary and proposed) are available on the APA Web site at www.payroll.org/i4a/pages/index.cfm?pageid=139

Meal Expense Reimbursements

- In a Wage-Hour opinion letter, the US Department of Labor advises an employer that it may reimburse employees for the cost of their meals while traveling for work without including these payments in the employees' regular rate of pay (W-H Op. Ltr., FLSA2004-3 (5-13-04)).
- The DOL explains that an employer ordinarily may not exclude from an employee's regular rate of pay amounts paid for costs that the employee would ordinarily incur for his or her own benefit. However, payments made by an employer to an employee as reimbursement for over-the-road expenses incurred when the employee travels on the employer's business may be excluded from the employee's regular rate of pay, including "living expenses away from home" (29 C.F.R. 778.217(b)(3)). This includes the cost of food, and the necessity of

Meal Expense

eating meals away from home is an additional expense that the employee incurs for the employer's benefit

- Note: The DOL cautions that any payments to an employee which are disproportionately large or which are not "reasonably approximate" to the employee's expenses will be included in the employee's regular rate of pay.

States Must Enact SUTA Dumping laws by 2006

SUTA dumping is the illegal practice of manipulating state unemployment insurance rate to achieve a lower employer tax rate. The federal SUTA Dumping Prevention Act of 2004 requires states to enact laws to combat this practice by 2006. Nine states have recently enacted SUTA dumping laws: Arkansas, Idaho, Kentucky, Mississippi, New Mexico, South Dakota, Utah, Virginia, and Wyoming.

Many other states have introduced SUTA dumping legislation to be considered in the 2005 legislative session, including: Alabama, Arizona, Colorado, Hawaii, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, North Dakota, Oklahoma, Rhode Island, and Vermont. Earlier this year, the Michigan Unemployment Insurance Agency announced that it had recovered \$2.4 million in unpaid UI taxes from its first major SUTA dumping case. The case involved eight separate businesses that transferred their employees to a single organization as part of a corporate restructuring to receive a lower UI tax rate.

Social Security Projected Wage Bases

The Board of Trustees of the Social Security Trust Fund reports each year on the financial condition of the social security program. Using "intermediate" forecasting assumptions and projecting out 10 years, the report estimates that the social security wage base will increase to \$93,000 in 2006 and to \$128,400 by 2014. Note that these numbers are only estimates. The formal announcements of the 2006 wage base will not come until October.

- 2006 \$93,000
- 2007 \$96,600
- 2008 \$100,800
- 2009 \$105,000
- 2010 \$109,500
- 2011 \$114,000

News from other states



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Alabama

Effective 4-30-05, employers with 25 or more employees covered by the Alabama Unemployment Insurance Law must submit quarterly contribution and wage reports electronically. An employer is subject to this rule if any of its quarterly wage reports for fiscal year 2004 reported 25 or more employees. Electronic methods include online filing, Internet file transfer/upload, or magnetic media.

As a courtesy, the Department of Industrial Relations will notify employers that are mandated to file electronically; however, the failure of DIR to do so does not relieve an employer of its responsibility to comply. Once an employer is mandated to file electronically, it must continue to do so even if the number of covered employees decreases to less than 25. An employer that is not required to file electronically may elect to do so. DIR may waive any of the requirements. Previously, employers with 250 or more employees were required to submit quarterly wage reports via magnetic media.

Iowa

As of May 2005, employers will no longer be able to make withholding payments using the Department of Revenue's electronic funds transfer (EFT) ACH Debit system. This system has been replaced by the new eFile & Pay system. There are four eFile & Pay payment options: (1) ePay (direct debit through the eFile & Pay application); (2) mail a check (with payment voucher; not available to semimonthly filers); (3) ACH credit; and (4) credit card. The filing and payment options for service providers/bulk filers are to submit return and payment information online, one transaction at a time; Web upload; or batch upload.

