Pay Matters! Year-End 2018

Pay Matters – the Year-End 2018 edition. As we're getting ready for year-end, we want you to be ready too! We've got a ton of updates and important information for you.

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FEDERAL PAYROLL UPDATES

IRS Announces 2019 Pension Plan Limits and Other Amounts

The 2019 limits on the exclusion for elective deferrals for 401(k), 403(b), and 457 plans will increase from $18,500 to $19,000. The catch-up contribution for employees ages 50 and older will remain at $6,000. The monthly limit for the qualified transportation fringe benefits and for qualified parking is to increase to $265 from $260. The health flexible-spending arrangement limit is to increase to $2,700 from $2,650.

IRS Launches Tax Reform Webpage

The IRS has launched a new, easy-to-use webpage with key tax reform information for individuals and business. The page also includes a special section focusing on Tax Exempt entities. Topics covered include state and local income taxes, business deductions, paycheck checkups, and more. In addition, the IRS is offering a series of webinars educating the public on the new tax law. You can sign up at the Tax Reform webpage.

FUTA Credit Reduction 2018

On November 13, the US Department of Labor announced that the U.S. Virgin Islands is the only jurisdiction in credit reduction for 2018. Employers in the Virgin Islands will be assessed in 2018 FUTA as follows:

Jurisdiction	Normal FUTA Rate	Credit Reduction	Total FUTA Rate	Total Tax per Employee
Virgin Islands	0.6%	2.4%	3.0%	$210

California, which had been in credit reduction for the past 8 years, repaid its loans to the federal government. California employers can breathe a sigh of relief as they will finally owe only $42 in FUTA per employee.

STATE PAYROLL UPDATES

New York Opens Employer Elections for Payroll Tax

New York employers may elect to pay the state's new optional payroll tax in 2019. The tax is called the Employer Compensation Expense Program (ECEP). The purpose of this optional tax is to offset and partially neutralize detrimental tax implications for employees from the loss of state and local tax deductions on their federal tax returns due to federal tax reform. Elections for 2019 may be made on New York's Business Online Services portal until Dec. 1. Employers may elect each year to pay the payroll tax. Elections to pay the payroll tax in 2019 may be made until Dec. 1, and in future years elections are to be made from Oct. 1 to Dec. 1, effective for the next calendar year after the election is made. New York's payroll tax is to be imposed at a rate of 1.5 percent of employee compensation exceeding $40,000 a year in 2019. The tax rate is to increase to 3 percent in 2020 and to 5 percent in 2021. If you elect, you should communicate with your employees:

- that you made the election for the year,
- that covered employees making over $40,000 may be eligible for a tax credit when filing their income tax return and should review their IT-2104, Employee's Withholding Allowance Certificate to adjust their withholding, and
- the amount of wages subject to ECET for the year (the Department's website will provide a sample template that can be used to communicate this amount to covered employees).

For more information, see TSB-M-18(1)ECEP, *Employer Compensation Expense Program*.

New York Expands NYS-45 ATT Reporting

Effective with the first quarter of 2019, New York employers who file Form NYS-45 Part C or Form NYS-45 ATT, must complete columns **d** and **e** for each calendar quarter. Columns **d** and **e** report each employee's federal wages and state and local tax withholdings for the quarter. Currently, employers are only required to complete columns **d** and **e** annually or on the last return of the calendar year, and these columns reflect cumulative annual totals. Beginning in 2019, the fourth quarter will no longer show cumulative totals for the year, but rather wages and taxes withheld only for that quarter. The first returns with the required expanded reporting are due April 30, 2019. For more information, check out the NY Department of Taxation and Finance publication.

New Jersey Releases Earned Sick Leave FAQ

The New Jersey Department of Labor has issued Earned Sick Leave FAQs to assist New Jersey employers in complying with the new law. The earned sick leave law went into effect on October 29, 2018. Under the law, New Jersey employers must accrue 1 hour of paid sick leave for every 30 hours worked, up to 40 hours annually. Sick leave must be paid at the employee's regular rate. Unused leave may be carried over to the following year. However, employees are not required to grant more than 40 hours of paid leave annually. There is no obligation to pay for earned but unused sick leave at termination. Covered employees may use earned sick leave to care for their own physical and mental health and that of a family member. Employees can also use their paid sick leave if a school or daycare is closed due to a public health concern. Additional qualifying situations can be found here. Employers who already have paid time off policies that comply with the time and use requirements of the new sick leave law, need not provide additional sick leave. Though several New Jersey localities have already enacted sick leave ordinances, the state law will preempt all local laws.

California Employers Required to Provide Sexual Harassment Training

On September 30, California passed legislation requiring all California employers with five or more employees to provide sexual harassment prevention training to all employees by January 1, 2020. Employers must continue to provide this training every two years thereafter. Under the law, supervisory employees must receive at least 2 hours of sexual harassment prevention training biannually, while non-supervisory employees must receive at least 1 hour of training. The California Department of Fair Employment and Housing (DFEH) will be creating two sexual harassment training courses and making them available on their website. Employers can direct employees to the DFEH site for training or create their own comparable training program.

MINIMUM WAGE UPDATES

St. Paul, Minnesota Raises Minimum Wage to $15

On November 14, 2018, the Saint Paul City Council passed an ordinance that will raise the minimum wage in Saint Paul, Minnesota to $15 an hour starting as early as 2022 for large businesses operating within city limits The increased will be phased-in between July 1, 2020 and July 1, 2028. The phase-in begins for all employers on July 1, 2020. For the City of Saint Paul and any employer with over 10,000 employees, the minimum wage increases to $12.50 an hour on July 1, 2020, with a final increase to $15 an hour on July 1, 2022. Businesses with 101 to 10,000 employees have a more gradual increase culminating on July 1, 2023. Employers with 6 to 100 employees will reach the $15 per hour goal by July 1, 2025, and employers with 5 or fewer employees have until July 1, 2027 to meet the $15 an hour requirement. Once an employer reaches the $15 an hour level, the minimum wage will be adjusted for inflation.

This information is for educational purposes only, and not to provide specific legal advice. This may not reflect the most recent developments in the law and may not be applicable to a particular situation or jurisdiction.