



December 31, 2020

To our clients:

It is that time of year again to update you on the payroll regulations for the 2020 & 2021 calendar years.

The taxable wage base has increased to \$142,800 and the Medicare wage base remains with no limit. There is an additional Medicare tax of 0.9% for earnings in excess of \$200,000 for single taxpayers and \$250,000 for married taxpayers. This is an employee only tax required to be withheld from any employee when their wages exceed \$200,000. For self-employed individuals, this will be an additional tax computed with the Self-employment tax.

In California, the tax rate for the State Disability Insurance (SDI) has increased to 1.2%, and the wage base has increased to \$128,298.

We have attached our schedule of payroll tax rates and wage bases. As most people employ the use of payroll services, these changes will be done automatically. However, we receive questions regarding the supplemental wages withholding rates. For 2021, generally the Federal and California rates are 22% and 6.6%, respectively. For Federal purposes, when supplemental wages are paid in the amount of \$1,000,000 or more, a supplemental rate of 37% is required. For California purposes, the withholding rate on stock options or bonuses (regardless of the amounts paid) is 10.23%.

The Federal and California deposit requirements and timing remain the same as in the past.

Also enclosed is the schedule of Payroll and Information Return deadlines.

If you have any questions, please call your RINA contact for assistance.

Very truly yours,

RINA ACCOUNTANTS & ADVISORS

PAYROLL AND INFORMATION RETURNS

Annual payroll and information return deadlines are listed below:

Due JANUARY 1, 2021:

1. California: Fourth quarter 2020 Forms DE 9 and DE 9C

Due FEBRUARY 1, 2021:

1. Employee/recipient/SSA: 2020 Forms W-2, 1099-MISC, 1099-NEC
2. Federal: Fourth quarter 2020 Forms 941 and Annual 2020 Forms 940 or 940 EZ

REMINDER: On Form W-2, make sure the pension plan box is checked for employees who are active participants in a qualified plan, and the deferred compensation box is checked for employees who are participants in a Sec. 401(k) plan. Rents, royalties and gross proceeds paid to attorneys totaling \$600 or more should be reported on Form 1099-MISC. Compensation of \$600 or more paid to non-employees in 2020 and subsequent years is required to be reported on Form 1099-NEC (to replace box 7 on the traditional 1099-MISC form). Non-employee compensation includes fees paid to independent contractors and for attorneys' services. It is important to note that the automatic 30-day extension has been eliminated with the revisions to the Forms 1099-MISC and 1099-NEC.

Due MARCH 1, 2021:

1. Federal: 2020 Forms 1096 with 1099-DIV, 1099-INT, 1099-R

REMINDER: Distributions from pensions, annuities, retirement pay, profit-sharing plans, IRAs, SEPs, etc. are to be reported on Form 1099-R.

Payers who file more than 250 W-2 forms or information returns (1099 series) are required to file these documents on magnetic media. Please call us if you need assistance in meeting the magnetic media requirements. Most of the forms enumerated above have detailed instructions.

All returns should be postmarked on or before the due dates. If the returns are mailed on the due date, postage should be applied by stamp rather than postage meter.

INFORMATION RETURN PENALTIES

There are federal penalties for failing to file correct information returns. The amount of the penalty is assessed based on the filing date of the correct information return. The penalty ranges from \$50 to \$280 per individual document, maximum annual penalty can range from \$565,000 to \$1,696,000. Lower annual maximum penalties apply to small businesses. In general, the penalties will not apply to any failure that was due to reasonable cause.

California has adopted federal penalties in addition to their own penalties. The Employment Development Department will assess a 15% failure to file penalty in addition to interest on any late payroll tax payments. The Franchise Tax Board has the discretion to disallow deductions for payments not reported on required information returns.

Also, persons who do not furnish their correct taxpayer identification number to payers of interest, dividends, etc. are subject to Federal back-up withholding at the rate of 24%.

**SUMMARY OF PAYROLL TAX RATES
WAGE BASES AND DEPOSIT REQUIREMENTS**

<u>Federal Social Security (FICA)</u>	<u>2021</u>	<u>2020</u>
1. Social Security:		
Wage Base	\$142,800.00	\$137,700.00
Rate - Employee	6.2%	6.2%
Rate-Employer	6.2%	6.2%
Maximum per employee:		
Employee Tax	\$ 8,853.60	\$ 8,537.40
Employer Tax	\$ 8,853.60	\$ 8,537.40
2. Medicare:		
Wage Base	No Limit	No Limit
Rate - Employee up to \$200,000	1.45%	1.45%
Employer	1.45%	1.45%
Employee amounts in excess of \$200,000	2.35%	2.35%
Maximum per Employee:		
Employee Tax	No Limit	No Limit
Employer Tax	No Limit	No Limit
 <u>Federal Social Security Self-Employment Tax</u>		
Wage Base (Social Security)	\$142,800.00	\$137,700.00
Rate	12.4%	12.4%
 Maximum payable	\$ 17,707.20	\$17,074.80
 Wage Base (Medicare)	No Limit	No Limit
Rates:		
Amounts up to \$200,000, single and \$250,000, married	2.9%	2.9%
Amounts in excess of \$200,000, single and \$250,000 married	3.8%	3.8%
Maximum payable	No Limit	No Limit
 <u>Federal Unemployment Tax (FUTA)</u>		
Wage Base	\$ 7,000.00	\$ 7,000.00
Rate (6.0% less state credit 5.4%)	0.6%	0.6%
 <u>California State Unemployment Insurance (SUI)</u>		
Wage Base	\$ 7,000.00	\$ 7,000.00
Rate	Variable Rates 1.5 to 6.2%	Variable Rates 1.5 to 6.2%
 <u>California State Disability Insurance (SDI)</u>		
Wage Base	\$128,298.00	\$122,909.00
Rate	1.2%	1.0%
Maximum per employee	\$ 1,539.58	\$ 1,183.71
 <u>California Employment Training Tax (ETT)</u>		
Wage Base	\$ 7,000.00	\$ 7,000.00
Rate	0.1%	0.1%