

<u>Date</u>	<u>Deposit Date</u>		<u>Completed</u>
<u>Payroll Date</u> Dec 26 - 29 30 - Jan 1 Jan 2 - 5 6 - 8 9 - 12 13 - 15 16 - 19 20 - 22 23 - 26 27 - 29 30 - Feb 2	Jan 4 6 8 13 15 21 22 27 29 Feb 3 5	Semi-Weekly Payroll Tax Deposits. Employers that are semi-weekly depositors generally must deposit taxes withheld and FICA taxes on payrolls paid on Wednesday, Thursday, or Friday on or before the following Wednesday, and deposit taxes from payments on other days on or before the following Friday. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and first quarter (fourth quarter for December payroll deposits due January 4 & 6).	
1	<i>New Year's Day!</i>		<i>Happy New Year!</i>
12	Michigan sales and use tax deposit for the month of December or fourth quarter to claim early payment discount.		
15	Voucher #4 due for individual income tax estimates, both State and Federal. To avoid any additional interest and/or penalty charges, taxpayers should have paid in at least 90% of their projected 2020 tax liability (or 100% of the prior year's tax if eligible, or 110% of the prior year's tax). Also see February 1 below.		
15	Employers that are monthly depositors must deposit taxes withheld and FICA taxes on payrolls paid during December. Deposit electronically. Indicate Form 941, Federal Tax Deposit, and fourth quarter.		
15	Corporations with fiscal year ending January 31, April 30, July 31, or September 30: * Deposit estimated federal income tax electronically. Indicate Form 1120 and Federal Tax Deposit.		
15	Corporations with fiscal year ending September 30: * Federal Income Tax Return – Form 1120. * Deposit balance of tax due electronically. Indicate Form 1120 and Balance Due on Return. * Pay accrued compensation, charitable contributions, retirement plan contributions, etc.		
15	Corporations with fiscal year ending March 31, June 30, September 30, or December 31: * Pay CIT estimate to State of Michigan.		
18	Martin Luther King, Jr. Federal Holiday		
20	Michigan Sales, Use, and Withholding Taxes Return for the month or quarter ended December 31.		
25	State Employer's Quarterly Wage/Tax Report (Form UIA-1028). Pay to State of Michigan - Unemployment Agency.		
Feb 1	Corporations with fiscal year ending September 30: * File CIT return and pay balance due to State of Michigan.		
Feb 1	Form 1040 - Individual income tax return can be filed in lieu of fourth quarter payment of estimated tax.		

Date		Completed
Feb 1 	Quarterly and Annual payroll reports and deposits: ❄ Form 940 - Employer's Annual Federal Unemployment Tax Return; deposit balance due electronically. Indicate Form 940, Balance Due on Return, and fourth quarter. ❄ Form 941 - Employer's Quarterly Federal Tax Return; deposit balance due electronically. Indicate Form 941, Balance Due on Return, and fourth quarter. ❄ Form 943 - Employer's Annual Tax Return for Agricultural Employees; pay balance due electronically. Indicate Form 943, Balance Due on Return, and fourth quarter. ❄ Form 944 - Employer's Annual Federal Tax Return; pay balance due electronically or with return to United States Treasury. ❄ Form 945 - Annual Return of Withheld Federal Income Tax for nonpayroll payments; pay balance due electronically or with return to United States Treasury. ❄ Form W-2 - Annual Wage and Tax Statement must be given to employees. ❄ Form W-3 - Transmittal of Income and Tax Statements, accompanied by copy of Forms W-2. ❄ Form 1096 - Annual Summary and Transmittal, accompanied by copy of Forms 1099-NEC ❄ State copy of Forms W-2 and 1099 due to State of Michigan. ❄ Form 1099 - must be given to certain recipients of interest, dividends, rents, royalties, commissions, and other miscellaneous types of income.	

NEW BUSINESS MILEAGE RATE

At the time of publication of this newsletter, the 2021 standard mileage rates had not yet been announced. Employers may use the standard mileage rate to pay for auto expenses incurred by employees under a reimbursement or expense allowance arrangement, provided that accountable plan requirements are satisfied. Reimbursement in excess of the standard rate creates taxable compensation subject to payroll taxes.

TRANSFERRING DATA FILES ELECTRONICALLY

Did you know that you can upload your data files to us electronically through our website? This allows a much safer and more efficient transfer of files, such as Word, Excel, PDF, and QuickBooks data files. The process is simple and secure. No more flash drives! To get started, go to www.dbccpa.com and click on Client Portal. You will make your electronic files (portable file, accountant's review copy, etc.) as you usually do, but instead of copying it to a flash drive you can upload via our website.

TAX SEASON OFFICE HOURS

Due to the COVID-19 pandemic, our offices will remain closed to the public through Phase 4 of the Michigan Safe Start Plan. Our staff continues to be available to assist you via telephone, email, or video conferencing and will continue to deliver the highest level of service to our clients.

DECEMBER

SU	M	T	W	TH	F	SA
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20	21	22	23	24	25	26
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JANUARY

SU	M	T	W	TH	F	SA
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17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

FEBRUARY

SU	M	T	W	TH	F	SA
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					



January 2021

PAYROLL TAX CHANGES FOR 2021

With the New Year comes a new payroll tax year. Since many payroll tax rates and bases have changed once again, now is a good time to review the various payroll taxes for 2021. You may wish to keep this annual payroll tax summary on hand as a reference throughout the year.

MICHIGAN MINIMUM WAGE

Due to a law that prohibits scheduled minimum wage increases when the state's annual unemployment rate for the preceding year is above 8.5%, it is likely that the state minimum wage rate for Michigan employees will remain \$ 9.65 per hour effective January 1, 2021. Michigan's minimum wage rate will increase to \$ 9.87 in the first calendar year following a calendar year for which the annual unemployment rate is less than 8.5%.

FEDERAL AND MICHIGAN WITHHOLDING

The Internal Revenue Service has issued new federal withholding tables and formulas for wages paid after December 31, 2020. These new withholding amounts reflect the annual inflation adjustments.

The Michigan Department of Treasury has released the 2021 State Income Tax Withholding Tables. The annual exemption amount has increased to \$ 4,900, while the tax rate remains at 4.25%.

SOCIAL SECURITY AND MEDICARE

The wage base for the social security tax increases to \$ 142,800 (maximum withholding per employee = \$ 8,853.60). Wages subject to Medicare withholding remain unlimited. Employers must also withhold 0.9% additional Medicare tax on wages paid to any employee in excess of \$ 200,000. There were no changes to the employer or employee tax rates for either Social Security (6.2%) or Medicare (1.45%).

There is an increase in the amount of earned income a recipient of Social Security can receive without losing benefits for 2021. The maximum amount for a beneficiary under full retirement age is \$ 18,960, up from \$ 18,240 in 2020. For workers who reach full retirement age during 2021, the maximum is \$ 50,520 or \$ 4,210 per month for the months prior to full retirement age. This is no earning limit for beneficiaries once they reach full retirement age.

SELF EMPLOYMENT

The maximum earnings subject to the 12.4% Social Security portion of the self-employment tax will increase to \$ 142,800 for 2021. The Medicare portion remains at 2.9%. An additional 0.9% Medicare tax remains unchanged on any self-employment earnings in excess of \$ 200,000 if filing single or \$ 250,000 if filing a joint return.

MICHIGAN UNEMPLOYMENT

The Michigan unemployment rate is assigned annually to each employer during the first quarter of the year based on an experience-rated formula. The initial wage base for 2021 is currently set to rise to \$ 9,500 for all employers. There is currently pending legislation that would keep the 2021 wage base at \$ 9,000 for non-delinquent employers. At the time of publication of this newsletter, this legislation has not been passed. Be sure to forward a copy of your Rate Determination notice to our office if we prepare your payroll tax returns.

PAYROLL TAX CHANGES FOR 2021 (CONTINUED)

FEDERAL UNEMPLOYMENT

Federal unemployment remains unchanged with a net tax rate of 0.6% and a wage base of \$ 7,000.

REPORTING AND DEPOSIT REMINDERS

FORMS W-2 AND W-3

Reminder: Forms W-2 and W-3 must be submitted to the Internal Revenue Service by February 1, 2021.

FORM 1099

Payments of rents, dividends, interest, and certain other payments made in the course of a trade or business must be reported to the recipient and the Internal Revenue Service on Form 1099. One type of payment that is often overlooked is fees of \$600 or more paid to subcontractors, corporate directors, attorneys, and other service providers who are not employees or corporations. Accounting fees of \$ 600 or more paid to us in connection with your business must be reported since De Boer, Baumann & Company, P.L.C. is not a corporation. (Our Taxpayer Identification Number is 38-1968022.) If you do not have the necessary addresses and identification numbers to complete Form 1099, use Form W-9 to request this information from your vendor. Provide Form 1099 to each recipient by February 1, 2021.

Reminder: Form 1099-NEC reporting non-employee compensation must be submitted to the Internal Revenue Service by February 1, 2021. Other types of Form 1099 must be submitted to the IRS by March 1, 2021 if you file on paper, or March 31, 2021 if you file electronically.

Attorneys' fees of \$ 600 or more paid in the course of a trade or business are reportable in box 1 of Form 1099-NEC. However, for payments in the course of a trade or business to an attorney where the portion that is for legal fees cannot be determined, the total amount paid to the attorney (gross proceeds) must be reported in box 10 of Form 1099-MISC. Also, the exemption from reporting payments made to corporations does not apply to payments for legal services. Therefore, attorneys' fees or gross proceeds paid must also be reported for payments to corporations that provide legal services.

DEADLINE FOR SUBMITTING STATE COPIES OF FEDERAL FORMS TO STATE OF MICHIGAN

The only forms that are submitted to the Internal Revenue Service that are also required to be filed with the Michigan Department of Treasury are the Form W-2 (for wages earned in Michigan), W-2G (for certain gambling winnings received in Michigan), 1099-R (for distributions from pensions, annuities, retirement or profit-sharing plans received in Michigan) or 1099-NEC (for services performed in Michigan). **The forms must be submitted to the State by February 1, 2021.** They may be submitted along with the Annual Sales, Use & Withholding Annual Return Form 5081, by mail with a cover letter indicating the business name and Tax Identification number, or electronically via a feature on the MTO website home page. Note that the due date for the Form 5081 is March 1, 2021. If W-2 and 1099 forms are submitted after the February 1, 2021 deadline, even with the Form 5081, they will be considered late. The State is advising that everyone take advantage of the new feature to e-file via MTO to avoid late filing penalties.

PERSONAL USE OF COMPANY VEHICLES

The value of any personal use of company vehicles by employees is generally a taxable benefit that must be included on Form W-2 in boxes 1, 3, 5 and 16. It can either be included with regular cash compensation or shown on a separate Form W-2. Employers must also report the value of the benefit separately in box 14.

S-CORPORATIONS

The cost of fringe benefits such as health insurance premiums and disability insurance premiums paid for the benefit of a 2% S-Corporation shareholder and certain family members must be included in the employee's income as additional compensation. These amounts are considered wages, which must be reported on Form W-2 and are subject to withholding. These amounts are exempt from social security tax and unemployment taxes if the payments are made under a written plan for employees and their dependents.