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Dear Clients and Friends:

We would like to wish you and your family a happy, healthy and prosperous New Year. This letter is to inform you of the new payroll tax rates and limits in effect for 2024, and to remind you of the filing requirements and due dates for payroll taxes, W2s and 1099s.

Electronic Filing of W-2's and 1099's

The IRS recently released final regulations amending the filing rules for W-2 and 1099 returns and other documents. The e-file threshold has officially been lowered from 250 to 10 forms in the tax year 2023 (to be filed in 2024). This regulation includes the total for all aggregated forms filed. This new regulation basically will require most businesses to file all W-2's and 1099s electronically beginning this filing season.

IRS announces delay in Form 1099-K reporting threshold

For this filing season, 1099-K reporting will not be required unless the taxpayer receives over \$20,000 and has more than 200 transactions in 2023. The law which was supposed to take effect during 2023, was lowering the threshold to \$600 for any amount of transactions.

Given the complexity of the new provision, the large number of individual taxpayers affected and the need for stakeholders to have certainty with enough lead time, the IRS is planning for a threshold of \$5,000 for tax year 2024 as part of a phase-in to implement the \$600 reporting threshold enacted under the American Rescue Plan.

The IRS temporarily delayed the new requirement last year. The IRS is trying to deal with personal transactions such as cash birthday or holiday gifts, sharing the cost of a car ride or meal, or paying a family member or another for a household bill is not taxable and should not be reported on a Form 1099-K. However, the casual sale of goods and services, including selling used personal items like clothing, furniture and other household items for a loss could generate a Form 1099-K for many people even if the seller has no tax liability from these sales.

The complexity of distinguishing these types of transactions has led to the delay.

GROUP TERM LIFE INSURANCE

The premiums paid by an employer for group term life insurance coverage in excess of \$50,000 are required to be included on the employee's W2. The life insurance premiums paid by the employer are not subject to Federal income tax withholding or Federal unemployment. They are subject to social security taxes.

The following IRS table sets forth the premium amounts that are to be used in determining the amount included in the employee's gross income:

Cost Per Thousand Dollars of Coverage of Group Term Life Insurance Over \$50,000 Paid by the Employer

<u>Age</u>	<u>Cost Per \$1,000 of Coverage Per Month</u>
Under 25	.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
70 and above	2.06

If you are using a payroll service, this additional taxable amount should be called in with your final 2023 payroll.

If you have questions on how to calculate the taxable amount, or if you are not sure whether you are subject to the provision, please call.

TAXABLE FRINGE BENEFITS

The Internal Revenue mandates various fringe benefits be included on the taxpayer's W2. These fringe benefits include but are not limited to the following:

- * Personal use of employer provided automobile
- * Life insurance in excess of \$50,000
- * Health-care insurance premiums paid on more than 2% S-Corporation shareholders
- * Moving expenses
- * Non-accountable travel and business expenses

If your Company gives the owner or any employees any or all of these benefits, the additional income must be figured into the employee's earnings and called in to your payroll service or added to the employees' wages prior to December 31, 2023. If this applies to you and you are unsure of the requirements, please call your Clairmont, Paciello & Co., P.C. representative immediately.

INFORMATION RETURNS

The following is a summary of the most commonly used information returns that are due to the recipient by January 31, 2024, and to the IRS by February 29, 2024 except for 1099 NEC for non-employee compensation which is due to the IRS by January 31, 2024.

<u>Form Number</u>	<u>Title</u>	<u>What to Report</u>	<u>Amounts To Report</u>
1098	Mortgage interest statements	Mortgage interest (including points) you received in the course of your trade or business from individuals	\$ 600 or more
1099-B	Proceeds from broker and barter exchange transactions	Sales or redemptions of securities, futures transactions, commodities, and barter exchange transactions	All amounts
1099-DIV	Dividends and distributions	Distributions such as dividends, capital gain distributions, that were paid on stock, and distributions in liquidation	\$10 or more, except \$600 or more for liquidation
1099-INT	Interest income	Interest payments not including interest on an IRA	\$10 or more
1099-MISC	Miscellaneous income	See discussion below	Generally \$600 or more
1099-NEC	Non-Employee Compensation	Payments for fees, commissions or other forms of compensation to persons not treated as employees	\$600 or more
1099-R	Distributions from profit-sharing, retirement plans, individual retirement arrangement, insurance contracts, etc.	Distributions from retirement or profit-sharing plans, IRAs, SEPs, or insurance contracts	All amounts
1099-S	Proceeds from real estate transactions	Gross proceeds from the sale or exchange of certain real estate	All amounts

FORM 1099-MISC

Generally, Form 1099-MISC is not required to be issued to Corporations; however, they must be issued to Partnerships and Sole Proprietorships. File Form 1099-MISC if you:

1. made payments of \$10 or more for royalties;
2. made payments of \$600 or more for rents;
3. gave prizes, awards, etc. of \$600 or more that are not for services rendered;
4. in connection with medical assistance programs, or health, accident and sickness insurance programs, made payments of \$600 or more to physicians or other suppliers or providers of health care services;
5. made direct sales of \$5,000 or more of consumer products for resale;
6. withheld federal income tax on miscellaneous income under the backup withholding rules.

The following payments do not require a Form 1099-MISC:

1. Payments for merchandise and inventory, including freight, storage, and similar charges;
2. payments for utilities such as electricity, gas, oil, and water;
3. payments for telephone, telegraph, and similar services;
4. payments of rent to real estate agents;
5. payments to employees for traveling and other business expenses.

Generally, a penalty is imposed each time you do not file timely an information return with the IRS or do not furnish a copy of the return to the payee. A penalty is also imposed each time you do not include all the information required to be shown, or include incorrect information on the return.

Since the IRS is enforcing the rules for the issuance of 1099s, and strict penalties can cost a small company thousands of dollars in penalties, we urge all of you to go through your checkbooks and identify any individuals or partnerships to whom you must send a 1099. If you are unsure, please call us to discuss the matter.

SUMMARY OF TAX RATES AND WAGE BASES FOR 2024

<u>Federal Individual Withholding</u>	<u>2023</u>	<u>2024</u>
Social Security (FICA) Old age benefits, survivors, and disability insurance rate	6.20 %	6.20 %
Medicare hospital insurance rate	<u>1.45 %</u>	<u>1.45 %</u>
Total employee rate	7.65 %	7.65 %
Employer rate	<u>7.65 %</u>	<u>7.65 %</u>
Combined rate	<u>15.30 %</u>	<u>15.30 %</u>

<u>Taxable Wage Bases</u>	<u>2023</u>	<u>2024</u>
Old age benefits	\$160,200	\$168,600
Medicare	UNLIMITED	UNLIMITED

<u>Maximum Individual Employee Tax</u>	<u>2023</u>	<u>2024</u>
Old age benefits	\$9,932.40	\$10,453.20
Medicare	<u>UNLIMITED</u>	<u>UNLIMITED</u>
Total	<u>UNLIMITED</u>	<u>UNLIMITED</u>

<u>Self-Employment Tax</u>	<u>2023</u>	<u>2024</u>
Old age benefits	12.40 %	12.40 %
Medicare rate	<u>2.90 %</u>	<u>2.90 %</u>
Total	<u>15.30 %</u>	<u>15.30 %</u>
Taxable self-employment income floor (self-employment tax is not assessed if self-employment income is below \$400)	\$400.00	\$400.00

SUMMARY OF TAX RATES AND WAGE BASES FOR 2024 (CONT'D)

<u>Taxable Self-Employment Ceiling</u>	<u>2023</u>	<u>2024</u>
Old age benefits	\$160,200	\$168,600
Total	UNLIMITED	UNLIMITED

<u>Maximum Individual Self-Employment Tax</u>	<u>2023</u>	<u>2024</u>
Old age benefits	\$19,864.80	\$20,906.40
Medicare	<u>UNLIMITED</u>	<u>UNLIMITED</u>
Total	<u>UNLIMITED</u>	<u>UNLIMITED</u>

<u>PA Unemployment and Individual Tax</u>	<u>2023</u>	<u>2024</u>
Personal Income Tax	3.07%	3.07%
Unemployment Compensation Tax		
Employee rate	.07%	.07%
Employer rate	Varies	Varies
Employer wage base	\$10,000	\$10,000

<u>Philadelphia Individual Withholding Taxes</u>	<u>2023</u>	<u>2024</u>
Resident	3.75%	3.75%
Non-Resident	3.44%	3.44%

SUMMARY OF RETIREMENT PLAN LIMITS

<u>401(k) Limits</u>	<u>2023</u>	<u>2024</u>
Maximum elective deferral	\$22,500	\$23,000
Additional allowed if age 50 or over	\$7,500	\$7,500

<u>Simple IRA Limits</u>	<u>2023</u>	<u>2024</u>
Maximum elective deferral	\$15,500	\$16,000
Additional allowed if age 50 or over	\$3,500	\$3,500

<u>Deferred Contribution Plans</u>	<u>2023</u>	<u>2024</u>
Annual Contribution	\$66,000	\$69,000

<u>Standard Mileage Rates</u>	<u>2023</u>	<u>2024</u>
Business Miles	65.5	TBD
Medical or Moving Miles	22.0	TBD
Charitable Miles	14.0	TBD

YEAR- END PAYROLL TAX REMINDERS

FEDERAL FORMS

W2	Wage & Tax Statement 2023	To recipient	1/31/24
W3	Transmittal of Income and Tax Statements (with IRS copies of Forms W2)	To IRS	1/31/24
1099	Various	To recipient	1/31/24
1096 – Relating to 1099 MISC Non-Employee Compensation	Annual Summary & Transmittal U.S. Information Returns (with IRS copies of Forms 1099)	To recipient	1/31/24
1099	Various	To recipient	1/31/24
1096 w/1099 NEC 1096 w/o 1099 NEC	Annual Summary & Transmittal U.S. Information Returns (with IRS copies of Forms 1099)	To IRS	1/31/24 2/29/24
940	Employer's Annual Federal Unemployment (FUTA) Tax Return	To IRS	1/31/24
941	Employer's Quarterly Federal Tax Return	To IRS	1/31/24

YEAR- END PAYROLL TAX REMINDERS (CONTINUED)

PENNSYLVANIA FORMS

501/W3	Employer Quarterly Deposit Statement & Return of Income Tax Withheld	To PA	1/31/24
REV 1667	W2 Transmittal & Reconciliation (with state copies of Form W2)	To PA	1/31/24
UC-2	Employer Report for Unemployment Compensation	To PA	1/31/24

PHILADELPHIA FORMS

W-7 (Weekly)	Employer's Return of Tax Withheld Compensation	To Philadelphia	3 Banking days
W-5 (Monthly)		To Philadelphia	1/31/24
W-1 (Quarterly)		To Philadelphia	1/31/24
Form 83-T-47	Employer's Annual Reconciliation of Wage Tax Withheld	To Philadelphia	2/29/24

The information in this letter includes as much detail as practical. However, in the interest of brevity, every possible situation has not been discussed. If you have any questions regarding the contents of this letter, or related items, please do not hesitate to contact our office.

Also, if you know someone who would like to receive a copy of this letter or who needs professional tax or financial consultation, please feel free to refer them to us.

Very truly yours,

CLAIRMONT, PACIELLO & CO., P.C.

Pursuant to requirements related to practice before the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for purposes of (I) avoiding penalties imposed under the United States Internal Revenue Code or (II) promoting, marketing or recommending to another person any tax-related matter.