



Payroll Newsletter

Keeping You Informed for 2023

Your Trusted Advisors

Covenant is happy to provide you with some helpful payroll tips and reminders before the new year.

Payroll Reminders

- ✦ Christmas bonuses should be included in payroll information. In-kind gifts less than \$25.00 are excluded. Gift cards are considered cash and should be included with wages.
- ✦ Update all employee addresses and local PSD codes so the W-2 is correct.
- ✦ Thinking about raises? The social security administration released the cost of living increase for 2022 of 8.7%.
- ✦ S Corporation shareholder health insurance must be reported on the W-2. Other employee health insurance is not required to be reported on W-2s for employers with less than 50 employees.
- ✦ Do your employees/owners use a company car? Personal use of a business vehicle must be added to the employee's W-2. There are several methods to calculate the taxable portion of vehicle use. See our [website](#) or contact our office to determine the correct method for your company.

COVID-19 Programs

If you have not filed your forgiveness application for your Payroll Protection Program (PPP) loan, remember that you are able to do so up until the loan matures.

Also keep in mind that the Employee Retention Credit was available for employers who had a 20% decline in gross receipts in the first three quarters of 2021 from the same quarter of 2019. This credit cannot be claimed on the same wages that you used for PPP Loan forgiveness. If you were eligible for this credit but did not claim it, you can amend your 2020 and 2021 returns to receive a refund. Be wary of organizations promising big payouts using this credit for any employer. Ineligible employers that claim this credit open themselves up to harsh penalties and longer periods where they can be audited.

ICHRA

Consider an Individual Coverage Health Reimbursement Account plan for 2023. These plans permit reimbursement of individual health insurance, non-insured medical expenses, or a combination of both. Health care sharing ministries are not eligible to participate and the plan will disqualify participating and sometimes non-participating employees from the Premium Tax Credit. Employers cannot offer an ICHRA and group health insurance to the same group of employees. Call our office to see if this would benefit your business, or contact BASE at 1-888-227-3105.

125 Cafeteria Plan

Section 125 plans can save both the employer and employee taxes for benefits such as health care, education, adoption, and dependent care. Our office can help calculate the tax savings. We partner with BASE to provide you with the legal documentation for both the 125 Cafeteria Plan and HRA.

Uncashed Paychecks

Pennsylvania requires funds from uncashed paychecks be sent to the Bureau of Unclaimed Property for safekeeping. Uncashed checks may NOT simply be voided on the company's books. Similarly, wages reported on the W-2 may NOT be reduced for uncashed checks. States have differing timelines for reporting uncashed checks, but Pennsylvania requires funds to be turned over to the state within two years.

More employers are moving to direct deposits to solve the uncashed paycheck issues, but this cannot be mandated to employees. This could be part of an employer/employee agreement. Please contact our office to help you go paperless.

Retirement Plans

Maximum SIMPLE plan deferrals for 2022 are \$14,000 plus a \$3,000 "catch up" provision for employees who are age 50 by the end of 2022. The catch-up contribution limit will be raised to \$3,500 in 2023, and the maximum SIMPLE deferral will be raised to \$15,500. This plan must be in place by October 1, but it would be a great time to start one for 2023. For information on other available retirement plans, please contact our office.

Willow Street Office: 717-464-2951 • 2733 Willow Street Pike N, Willow Street, PA 17584

Ephrata Office: 717-733-2218 • 226 S Reading Road, Ephrata, PA 17522

Website: www.Covenant.CPA

Wage Changes

Salaried employees are entitled to overtime pay if they fall under the PA or federal threshold. These thresholds have been changing every year. Please see [PA's website](#) for more information.

Documentation

The "new hire" requirements remain the same for 2023. Each employee must complete Form I-9, Form W-4, and Certificate of Residence. Employers are mandated to require a new certificate of residency form for any employee who changes his or her address. Employers must keep these forms on file and file a PA New Hire form either online or by fax within 20 days of the new hire. Employers must also notify employees whether or not they provide health insurance. For your convenience, we have enclosed a copy of each form. The 2023 W-4 has no changes from last year's form. Please keep in mind that you must use the 2023 W-4 for all new hires.

Federal Withholdings

Remember to use the charts in Publication 15-T if you are not using QuickBooks® payroll to determine the correct amount of federal withholding tax. You can download the Publication and other useful forms from our website at www.Covenant.CPA under Resources → Forms, Documents & Links.

You must use EFTPS to make all federal payroll tax deposits and the frequency is determined by the type of payroll tax and the amount due. Do not ignore a change of frequency notice. Form 941 filers must remit monthly after their federal tax deposit is over \$2,500/quarter.

Social Security & Medicare (FICA)

The Social Security percentage will remain at 6.2% for the employee and employer.

The Social Security wage base will increase from \$147,000 in 2022 to \$160,200 in 2023.

The Medicare portion is an unlimited wage base and all wages earned are subject to the 1.45% rate for the employee and employer. Employees with wages greater than \$200,000 will pay an additional 0.9%.

Federal Unemployment Tax (FUTA)

Remains at 0.6% on the first \$7,000 of wages paid unless the employer is exempt*.

Pennsylvania Withholdings

The rate remains unchanged at 3.07%. Employers who report a withholding liability of \$1,000 or more must pay electronically using myPATH.

Payment frequency is dependent on your tax liability. If you are withholding less than \$300, the payments are quarterly, \$300 - \$999 are monthly and over \$1,000 for semiweekly. Changes of frequency notices have been mailed by Pennsylvania to employers whose filing frequency changed for 2023.

Pennsylvania Unemployment Compensation

The new employer rate will be mailed by December 31, 2022 to be paid on the first \$10,000 of wages paid. If you are using QuickBooks, be sure to update the rate in the payroll items lists. The employee rate will be raised from 0.06% to 0.07% on all wages unless the employer is exempt*.

Local & LST Withholdings

The local tax is based on the school district and municipality in which the employee resides while the LST is based on the business location. Each employer is required to have a Certificate of Residence on file for each employee. The rates and PSD codes can be found at www.lctcb.org under employer. Employees may request exemption from LST if they expect to make less than \$12,000 during the tax year using [this form](#).

Paystub Requirements

An employer must provide a statement listing wages, hours worked, pay rate, gross wages, deductions and net wages.

* Exempt employers include churches and some agricultural employers. The farm must employ less than 10 employees for any part of a day in 20 or more calendar weeks in the current or preceding calendar year or pay less than \$20,000 in wages in any calendar quarter of the current or preceding calendar year.

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