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Inside this issue...

IRS Announces 2024 Retirement Plan Contribution, Benefit Limits

The IRS announced the changes to the dollar limits on benefits and contributions under qualified retirement plans, as well as other items, for tax year 2024 [Notice 2023-75, 11-1-23].

IRC §415, which provides for dollar limits on benefits and contributions under qualified retirement plans, requires that the IRS annually adjust these limits for cost-of-living changes. The IRC also requires various other amounts to be adjusted at the same time and in the same manner as these dollar limits.

- The limitation on the exclusion for elective deferrals under §402(g)(1) (e.g., §401(k) and §403(b) plans) increases to $23,000 (from $22,500).
- The limit on annual additions to defined contribution plans under §415(c)(1)(A) increases to $69,000 (from $66,000).
- The limit on the annual benefit under a defined benefit plan contained in §415(b)(1)(A) increases to $275,000 (from $265,000).
- The annual compensation limit under §401(a)(17), §404(l), §408(k)(3)(C), and §408(k)(6)(D)(ii) increases to $345,000 (from $330,000).
- The compensation amount under §408(p)(2)(E) regarding elective deferrals to SIMPLE retirement accounts increases to $16,000 (from $15,500).
- The limitation under §457(e)(15) concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations (§457(b) plans) increases to $23,000 (from $22,500).
- The limitation under §416(i)(1)(A)(i) concerning the definition of "key employee" in a top-heavy plan increases to $220,000 (from $215,000).
- The limitation under §414(v)(2)(B)(i) for catch-up contributions to §§401(k), 403(b), and 457(b) plans for individuals age 50 or over remains $7,500; the limitation under §414(v)(2)(B)(ii) for catch-up contributions to an employer's

SIMPLE plan for individuals age 50 or remains $3,500.

• The limitation used in the definition of “highly compensated employee” under §414(q)(1)(B) increases to $155,000 (from $150,000).

• The annual compensation limit under §401(a)(17) for eligible participants in certain government plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limit under the plan under §401(a)(17) to be taken into account, increases to $505,000 (from $490,000).

• The compensation amount under §408(k)(2)(C) regarding simplified employee pensions (SEPs) remains $750.

• The compensation amount under Treas. Reg. §1.61-21(f)(5)(i), concerning the definition of “control employee” for fringe benefit valuation purposes, increases to $135,000 (from $130,000). The compensation amount under §1.61-21(f)(5)(iii) increases to $275,000 (from $265,000).

• The limit on annual contributions to an Individual Retirement Arrangement, increases to $7,000 (from $6,500). The additional catch-up contribution limit for individuals aged 50 remains $1,000. The SECURE 2.0 Act amended the tax code to provide for annual cost of living adjustments for the over 50 catch-up limit, but the limit remains unchanged for 2024. ■

Social Security Wage Base Increases to $168,600 for 2024

The Social Security Administration (SSA) announced that the 2024 social security wage base will be $168,600, an increase of $8,400 from $160,200 in 2023.

Maximum social security tax. The maximum social security tax employees and employers will each pay in 2024 is $10,453.20, an increase of $520.80 from $9,932.40 in 2023.

Medicare tax. As in prior years, there is no limit to the wages subject to the Medicare tax; therefore, all covered wages are subject to the 1.45% tax. As in 2023, wages paid in excess of $200,000 in 2024 will be subject to an extra 0.9% Medicare tax that will only be withheld from employees’ wages. Employers will not pay the extra tax. Note that the $200,000 threshold for the Additional Medicare tax is not subject to adjustments for inflation.

FICA (combined) tax. The FICA tax rate, which is the combined social security tax rate of 6.2% and the Medicare tax rate of 1.45%, will be 7.65% for 2024 up to the social security wage base.

Self-employed. The social security wage base for self-employed individuals in 2024 will also be $168,600. There is no limit on covered self-employment income subject to the Medicare tax. The self-employment tax rate will be 15.3% (combined social security tax rate of 12.4% and Medicare tax rate of 2.9%) up to the social security wage base. In 2024, the maximum social security tax for a self-employed individual will be $20,906.40.

TRUSTEES’ ESTIMATE WAS LOW – In its annual report for 2023, the Board of Trustees of the Social Security Trust Fund projected that the 2024 social security wage base would be $167,700, which is $900 less than the actual amount (see PAYROLL CURRENTLY, Issue 4, Vol. 31). Those employers that budgeted for their 2024 FICA tax expense based on the trustees’ projection will need to go back and recalculate that number.

Quarters of coverage; retirement earnings test

The SSA also announced that the amount of earnings needed to qualify for a quarter of coverage to receive full social security benefits will be $1,730 in 2024, up from $1,640 in 2023.

Retirees who will not reach full retirement age in 2024 can earn up to $22,320 a year ($1,860 a month) without losing any benefits (up from $21,240 a year/$1,770 a month in 2023); for these retirees, $1 in benefits will be withheld for every $2 in earnings above the applicable limit.

Retirees who reach full retirement age in 2024 will lose $1 in benefits for every $3 earned above $59,520 (up from $56,520 in 2023), but only counting earnings before the month they reach full retirement age. Starting with the month retirees reach full retirement age, they will receive full benefits with no limit on earnings.

FICA coverage threshold for domestic, election workers

The threshold for coverage under social security and Medicare for domestic employees (i.e., the “nanny tax”) will increase to $2,700 in 2024 (up from $2,600); the coverage threshold for election workers will be $2,300 (up from $2,200). ■

IRS Releases 2023 ACA Forms and Instructions

The IRS released the 2023 Affordable Care Act (ACA) forms and instructions with no substantial changes: Form 1094-B, *Transmittal of Health Coverage Information Returns*; Form 1095-B, *Health Coverage*; Form 1094-C, *Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns*; Form 1095-C, *Employer-Provided Health Insurance Offer and Coverage*; *Instructions for Forms 1094-B and 1095-B*; and *Instructions for Forms 1094-C and 1095-C*.

Generally, Forms 1094-B, 1094-C, 1095-B, and 1095-C must be filed by February 28 if filing on paper (or March 31 if filing electronically) of the year following the calendar year to which the return relates. For calendar year 2023, Forms 1094-C and 1095-C are required to be filed by February 28, 2024, or April 1, 2024, if filing electronically.

For the latest information about developments related to the forms and instructions, such as legislation enacted after they were published, go to https://www.irs.gov/form1094b, https://www.irs.gov/form1095b, https://www.irs.gov/form1094c, and https://www.irs.gov/form1095c.

Automatic extension of deadline

In December 2022, the IRS issued final regulations to provide an automatic 30-day extension for employer’s offering minimum essential coverage (MEC) under the ACA to furnish Forms 1095-B and 1095-C to individuals (87 F.R.

76569, 12-15-22; see PAYROLL CURRENTLY, Issue 1, Vol. 31). The regulations did not extend the due dates for filing forms with the IRS.

Forms 1095-B. Entities providing MEC must furnish 2023 Forms 1095-B to individuals by March 1, 2024. The final regulations provide an alternative manner for a reporting entity to timely furnish statements. Under this alternative method, a reporting entity must post a clear and conspicuous notice on its website stating that responsible individuals may receive a copy of Form 1095-B upon request. For the 2023 statements, the notice must be posted by March 1, 2024, and must remain in the same website location through October 15, 2024. Upon request, a statement must be furnished within 30 days of the date of the request.

This alternative manner of furnishing statements only applies in taxable years when the individual shared responsibility payment is zero. The regulations do not allow applicable large employers (ALEs that generally employ 50 or more full-time or full-time equivalent employees) to use the alternative method of furnishing Form 1095-C to full-time employees enrolled in a self-insured plan (however, the alternative method is available to non-full-time employees who are enrolled in the plan).

Forms 1095-C. ALEs must furnish 2023 Forms 1095-C to individuals by March 1, 2024.

ACA forms count for the filing threshold

In February, the IRS finalized regulations to reduce the threshold requirement for filing information returns electronically from 250 to 10 for returns required to be filed after December 31, 2023 (88 F.R. 11754, 2-23-23; see PAYROLL CURRENTLY, Issue 3, Vol. 31). Beginning in 2024, all of a business' information returns will be aggregated to calculate if the 10-return threshold is reached, which includes Forms W-2, 1099 series, and ACA forms.

Employers that are required to file electronically but fail to do so may be subject to penalties. ■

OCSS Releases Revised IWO and Instructions

The Office of Child Support Services (OCSS) released the revised income withholding order for support form (IWO) and its instructions with no substantial changes [OCSS, AT-23-13, 10-5-23]. The revised IWO expires August 31, 2026.

To give child support agencies time to implement the revised form, OCSS had extended the expiration date of the previous IWO until September 30, 2024 (see PAYROLL CURRENTLY, Issue 10, Vol. 31).

Changes to the IWO, instructions

The IWO contains only minor changes and was updated to reflect the agency's name change from Office of Child Support Enforcement to OCSS. The Paperwork Reduction Act language was moved from the bottom of page 1 to the instructions and the contact email changed to OCSSFedSystems@acf.hhs.gov. A sample form is available that shows a properly completed IWO.

Instructions. The instructions were updated to include more details in section 1d regarding the IWO expiration date. The instructions state that once an IWO has been sent to an employer, it is in effect until it is terminated by the issuing agency (regardless of the form's expiration date).

The "Note to Employer/Income Withholder" includes a new bullet informing employers that if a child support withholding payment is returned because it could not be processed, the payment should be returned to the employee. The note clarifies employers must reject an IWO that does not contain all necessary information, such as remittance or case identifiers or correct sender contact information. Employers must also reject IWOs that are altered or contain invalid information like "step-down" provisions or other future events that an employer is not required to monitor. ■

IRS Announces Withdrawal Process for ERC Claims

The IRS announced details for a special withdrawal process for employers that filed an employee retention credit (ERC) claim and are now concerned about the claim's accuracy [IR-2023-193, 10-19-23].

The withdrawal option allows certain employers that filed an ERC claim (but have not yet received a refund) to withdraw their submission and avoid future repayment, interest, and penalties. Employers that submitted an ERC claim that is still being processed can withdraw the claim to avoid receiving a refund they are not eligible for. The IRS said claims that are withdrawn will be treated as if they were never filed, and the agency will not impose penalties or interest. However, those that willfully filed or assisted with a fraudulent claim should be aware that withdrawing a fraudulent claim will not exempt them from potential criminal investigation and prosecution.

Withdrawal eligibility

Employers can use the ERC claim withdrawal process if:

- The claim was made on an adjusted employment return (Forms 941-X, 944-X),
- The adjusted return was filed only to claim the ERC, and no other adjustments were made,
- The employer wants to withdraw the entire amount of the ERC claim, and
- The IRS has not paid the claim, or the IRS has paid the claim, but the employer has not cashed or deposited the refund check.

Employers that are not eligible to use the withdrawal process can reduce or eliminate their ERC claim by filing an amended return. More details are provided in the "Correcting an ERC claim" section of the ERC frequently asked questions.

How to withdraw an ERC claim

Detailed instructions for withdrawing an ERC claim and a sample claim withdrawal request are available on the IRS's Withdraw an Employee Retention Credit (ERC) Claim webpage and in a fact sheet [FS-2023-24, 10-19-23]. Employers will follow different steps depending on their situation. The IRS will send letters to employers that submit a withdrawal request to tell them whether the request was accepted or rejected.

Employers that received a refund check. Employers that received a refund check but have not cashed or deposited the check must follow the same steps to prepare the withdrawal request. Employers must also write "Void" in the endorsement section on the back of the refund check and include a note that says "ERC Withdrawal" with a brief explanation for returning the refund check. Employers should make copies for their tax records of the front and back of the voided check, the explanation notes, and the signed and dated withdrawal request page.

The claim withdrawal request, voided check, and note should be mailed to the IRS at Cincinnati Refund Inquiry Unit, P.O. Box 145500, Mail Stop 536G, Cincinnati, OH 45250.

The IRS said it is working on guidance to help employers that were misled into claiming the ERC and have already received the payment. ■

State Unemployment Insurance Taxable Wage Bases for 2024

Many states have released their state unemployment insurance (SUI) taxable wage bases for 2024. Employers should be aware that due to UI trust fund balances that are lower than anticipated and economic concerns regarding employer taxes, some states may make changes to their taxable wage bases later this year or early next year. For a list of the state wage bases, check PayrollOrg's website.

Following the Federal Unemployment Tax Act (FUTA) scheme, state unemployment contributions (taxes) are determined by applying a certain percentage to the taxable wages paid by the employer (see *The Payroll Source®*, §7.2-2). FUTA requires that each state's taxable wage base must at least equal the FUTA taxable wage base of $7,000 per employee, and most states have wage bases that exceed the required amount. The states use various formulas for determining the taxable wage base, with a few tying theirs by law to the FUTA wage base and others using a percentage of the state's average annual wage.

The types of payments included as taxable wages by the states are generally those considered taxable wages for FUTA purposes (wages, salary, bonuses, commissions, and noncash payments). But several states differ from the FUTA approach when it comes to sick or disability pay, cafeteria plan benefits, tips, and other payments. Employers must check the state laws and rules in the states where they have employees to determine whether the payments made to them are taxable wages.

For more information on SUI wage bases and tax rates, see PayrollOrg's *Guide to State Payroll Laws*, Table 8.2. ■

FIRE Users Should Check TCCs Now to Make Sure They Are Current

Payroll professionals who plan to use the IRS's Filing Information Returns Electronically (FIRE) system should check to make sure their Transmitter Control Codes (TCCs) are up to date. Users who received their TCCs prior to September 26, 2021, must have submitted and completed the new Information Return (IR) TCC application by August 1 (see PAYROLL CURRENTLY, Issue 8, Vol. 31).

FIRE users without a completed IR TCC application will not be allowed to electronically file (e-file) using their original legacy FIRE TCC. They must apply for a new TCC. Existing legacy TCCs can be used to retrieve status information on files in the FIRE system for tax years 2021 and 2022 until November 26, 2023, for users to retain for their records. Additional guidance is available on the FIRE webpage.

IR TCC application

The IR TCC application requires a social security number or individual tax identification number for system access and individual authentication. To complete the online application, users must first validate their identity using the current IRS credential service provider (ID.me).

Until the application is in Completed status, the IRS advises selecting "Individual" on the "Select Your Organization" page. As of June 2, 2023, filers must sign-in using ID.me. The IRS no longer supports the use of existing IRS user names to access e-Services, and users who do not have an ID.me account must create one. The IRS said users should allow 45 days for processing.

Information Returns Intake System (IRIS)

In addition to FIRE, the IRS offers the Information Returns Intake System (IRIS), which allows users to electronically prepare and file forms in the 1099 series (see PAYROLL CURRENTLY, Issue 2, Vol. 31). To use IRIS, users must complete a separate TCC application. IRIS has two methods for filing (both require separate TCCs): The Taxpayer Portal allows users to file information returns without needing special software, and the Application to Application (A2A) intake channel requires software using an Extensible Markup Language (XML) format.

Both FIRE and IRIS require their own TCCs. They are not interchangeable. During the October IRIS Working Group meeting, an IRS representative said the agency does not have a specific date for when the FIRE system will be retired. FIRE should be available for several years. For now, IRIS and FIRE will run parallel.

Reminder on lowered threshold

Earlier this year, the IRS finalized regulations to reduce the threshold requirement for filing information returns (e.g., Forms W-2, 1099 series, ACA forms) electronically from 250 to 10 for returns required to be filed on or after January 1, 2024. Beginning in 2024, all of a business' information returns will be aggregated to calculate if the 10-return threshold is reached (see PAYROLL CURRENTLY, Issue 3, Vol. 31). ■