

We need to remind you that according to the APA:

Exams administered **September 14, 2013 through September 12, 2014**, exam questions should be answered based on Federal laws and regulations in effect as of **1/1/2013**.

**Mid-year changes are NOT reflected on the exams.**

The Social Security tax rate was temporarily reduced for 2011 and 2012 (AKA payroll tax holiday). Since 2013 the Social Security tax the normal rates have been made "back to normal":

- Talking about the employee-portion, it is 6.2% of wage earnings up to a max wage base of \$113,700;
- Talking about the employer-portion, it is 6.2% of wage earnings up to a max wage base of \$113,700;
- For those who are self-employed, it is 12.4% of net self-employment income up to max \$113,700.

With the Patient Protection and Affordable Care Act, those who earn more than \$200,000 a year (or \$250,000 for joint filers) will need to pay higher Medicare hospital insurance HI taxes in 2013, which is 2.35% of the applicable wages above the thresholds. The employers will need to withhold the additional payroll tax regardless of the worker's tax filing status.

## **Latest changes as of 2014**

These are the latest changes as of the time of this writing:

- Small businesses with 25 or less employees and max \$50,000 of average annual wages may have up to a 50% tax credit when the employer is contributing at least half of the employee-only premium cost.
- The Employer Shared Responsibility Provisions under section 4980H of the Internal Revenue Code are set to be in full effect in 2015. With these provisions, employers employing at least 50 full-time employees or a combination of employees equivalent to 50 full-time ones need to offer affordable health coverage capable of providing a minimum level of coverage to their full-time employees and their dependents.
- The Social Security wage base for 2014 has been increased (to \$117,000), although the FICA contribution rate remains the same. Keep in mind, for the Medicare portion of the FICA taxes there is simply no wage base - all wages earned are subject to the tax.

## **Essential tax forms and knowledge related to employment**

For the exam you need to know these (the exam would not test new material resulting from mid-year changes in tax regulations):


- Gross pay is the amount of money one makes performing a job prior to deductions (such as taxes). Net pay = gross pay - deductions.
- In the context of taxation, people in business for themselves are not considered as employees.
- When an employer-employee relationship is in place, it does not matter what the relationship is termed (for example, an employee may be called an agent or a contractor).
- The Employer Identification Number EIN is required if you need to report employment taxes or give tax statements to employees. This EIN is a nine-digit number with digits in a pattern like this: 00-0000000. You can obtain this number from the IRS.

- When a person is not a common law employee, he may still be considered as an employee by statute for social security, Medicare, and FUTA tax purposes under some conditions.
- Any employee who is legally eligible to work should apply for a social security card via Form SS-5.
- You use Form I-9 to verify the identity and employment authorization of an individual hired for employment. Both the employee and the employer must complete the form. And keep in mind, this form must be retained and stored by the employer either for 3 years after the date of hire or for one year after employment is terminated (whichever is later).
- Employers need to withhold federal income tax from employees' wages according to the employee's Form W-4. You should have a Form W-4 on file for each employee.
- You will also need to withhold federal income taxes on the wages of nonresident alien employees. When a nonresident alien employee wants to claim a tax treaty exemption from withholding, ask him to submit Form 8233.
- In the current calendar year, you may correct prior quarter income tax withholding errors via Form 941-X.
- You may not adjust amounts reported as income tax withheld in a prior calendar year unless the error is due to an administrative error.
- When you withheld more than the correct amount of income from wages paid, you should repay the employee the excess before the end of the calendar year in which it was withheld.
- The Federal Unemployment Tax Act FUTA together with state unemployment systems can provide for payments of unemployment compensation to workers who have lost their jobs. Most employers are required to pay both a federal and a state unemployment tax.
- In 2014, the FUTA tax rate is 6.0%, applicable to the first \$7,000 you pay to each employee as wages. This \$7,000 is in fact the federal wage base. The state

wage base may be different state by state. Do keep in mind, services rendered to a federally recognized Indian tribal government are exempt from this tax.


- Stock-based compensation may involve the transferring of stock or the issuance of stock options to an employee. The 10-K document is the annual report that needs to be filed with the SEC for listing out all the Directors and executive officers, executive compensation, and the security ownership of certain beneficial owners and management. Stock is considered as transferred when the employee has the risks and benefits of an owner.
- When an employee is not a citizen or a permanent resident, he may belong to:
  - Category 1: there is authorization to work under an nonimmigrant status
  - Category 2: there is authorization to work for a specific employer under an nonimmigrant status
  - Category 3: there is a need to file for permission to work
- To hire someone as a nonimmigrant to work temporarily in the US, you need to file a nonimmigrant petition with the USCIS. The latest classifications and tax obligations may be found here: <http://www.uscis.gov/working-united-states/temporary-workers/temporary-nonimmigrant-workers>


Official Website of the Department of Homeland Security



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H-1B Specialty Occupations and Fashion Models

H-1C Registered Nurse

Temporary (Nonimmigrant) Workers

In order for you to come to the United States lawfully as a nonimmigrant to work temporarily in the United States your prospective employer must generally file a nonimmigrant petition on your behalf with USCIS<sup>1</sup>. The main nonimmigrant temporary worker classifications are listed in the table below. For more information about the filing requirements for particular nonimmigrant classifications, see the specific classification links under "Temporary Workers" to the left.

Spouses and Children Seeking Dependent Nonimmigrant Classification

Spouses and children who qualify for dependant nonimmigrant classification of a temporary worker and who are outside of the United States should apply directly at a U.S. consulate for a visa. Spouses and children requesting a change of status or extension of stay in a dependent nonimmigrant classification must file Form I-539, Application to Extend/Change Nonimmigrant Status. Please see the Form I-539 instructions for further information on filing procedures for this application.

Federal U.S. Tax Information

More Information

Frequently Asked Questions about Part 6 of Form I-129, Petition for a Nonimmigrant Worker

Forms

Employment Based Forms

I-539, Application To Extend/Change Nonimmigrant Status

I-129, Petition for a Nonimmigrant Worker

Other USCIS Links

Work Authorization

Green Card (Permanent Residence)

Working in the US Resources

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## **The Escheatment Process**

This is all about turning over unclaimed or abandoned property (or unclaimed wage) to a state authority. Escheatment laws usually require that unclaimed property be turned over when the owner cannot be located within a length of time specified (the time period requirement is different state by state). The state will hold the funds for the rightful claimants. Escheat rules for outstanding uncashed pay check are always based on the issuance date of the check. When a pay check is outstanding and its issuance date meets the exact criteria for escheating, the employer should send the funds to the state. However, the employer should not change the name on the paycheck to that of the state.