KPMG

# Payroll Insights

**Employment tax news to guide you now and for the future**

August 2021

## John Montgomery's Fresh Take: Washington State

Employers in the State of Washington should start preparing for the new state employee payroll tax for long-term care benefits that has been pending since 2019.

Effective January 1, 2022, employers should withhold and remit a .58% premium assessment on all wages paid to Washington employees who perform services in the state for at least 500 hours per year and receive a Form W-2, *Wage and Tax Statement*.

Individuals can opt-out of long-term care coverage if they have comparable private long-term care insurance or are self-employed. Workers who hold existing long-term care insurance or purchase a new private policy before November 1, 2021 can apply for an exemption from WA Cares. If approved, an exemption will mean that a worker isn't required to pay premiums and will be permanently excluded from WA Care benefits.

Employers should note that this is not an employer tax; however, employers will be required to withhold the premiums through payroll deductions and remit the withholdings to the Employment Security Department.

Washington is the first state to implement a public, state-operated long-term care insurance program.

## Arizona Increases the Unemployment Insurance Taxable Wage Base for 2023

Effective January 1, 2023, the Arizona taxable wage base for unemployment insurance purposes will increase from $7,000 to $8,000 per employee.

Governor Doug Ducey signed Senate Bill 1828 on June 30.

## Connecticut Updates 2020 Telecommuting Rules for Certain Residents

House Bill 6516, signed by Connecticut Governor Lamont, provides income tax relief to Connecticut residents who had commuted to perform services outside the state prior to the COVID-19 Pandemic, but telecommuted from Connecticut for work in 2020.

Previously, Connecticut residents commuting to work in states such as Massachusetts or New York, paid state income taxes in the state of their primary work location. As such, Connecticut residents received a credit for income taxes paid to other states on their personal income tax returns.

Under House Bill 6516, employees should continue to pay income tax in the state of their pre-pandemic primary work location for tax year 2020, and residents will continue to receive a personal income tax credit on their personal tax returns.

## Hawaii Moves Deadline for Filing Forms W-2 in Line With Most States

Effective January 1, 2022, Forms W-2, *Wage and Tax Statement,* should be filed with the state of Hawaii and furnished to the employee on or before January 31.

Under Senate Bill 1196, employers who fail to meet the new January 31 deadline will be subject to a penalty of $25 per failure, up to $50 per employee. Additionally, employer should note that effective for taxable periods beginning on or after January 1, 2020, Forms HW-14, *Withholding Tax Return,* and HW-2, *State of Hawaii Income Tax Withheld and Wages Paid,* should be filed with the Department electronically.

## Illinois Raises Underpaid-Wages Penalty

House Bill 118, signed by Illinois Governor J.B. Pritzker, immediately increases the amount of damages an employee is entitled to recover from an employer for underpaid wages.

Employees who are not paid wages, final compensation, or wage supplements timely are entitled to recover, as damages, 5% of the amount of the underpayment for each month following the date the payment should have been made, until the underpaid amount is paid.

Previously, an employee was entitled to damages in the amount of 2% of the underpaid wages.

## Indiana Will Provide Unemployment Insurance Tax Rate Relief

On July 9, the Indiana Department of Workforce Development issued an updated Employer Frequently Asked Questions for COVID-19 work-related issues. The Department will relieve all separations charged to contributory employers for benefit weeks ending between March 13, 2020 and June 30, 2021. All charges will be credited back to the employer's experience account before the Department calculates unemployment insurance rates for 2022.

The Department may mutualize the charges relieved in 2020 for calendar year 2022 rating purposes, and mutualize the 2021 relieved charges for calendar year 2023 rating purposes.

Reimbursable employers will reimburse the Department 50% of all benefit charges for the weeks ending between March 13, 2020 and March 31, 2021. For benefit charges after March 31, 2021 and on or before July 31, 2021, reimbursable employers will reimburse the Department 75% of all benefit charges.

## Iowa Increases the Unemployment Insurance Taxable Wage Base for 2022

Effective January 1, 2022, the Iowa taxable wage base for unemployment insurance purposes will increase from $32,400 to $34,800 per employee.

Iowans' Unemployment and Injury Benefits Increase

## Ohio Rescinds the State of Emergency

On June 18, 2021, Governor DeWine rescinded the state of emergency, which would have caused employers to revert to their pre-COVID methods of withholding local municipal taxes. However, the Ohio Senate amended language in the state budget, Sub HB 110, to extend the requirement for an employer to withhold at the principal place of work through December 31, 2021.

Previously, Governor DeWine signed Amended Sub HB 197 into law in 2020 as a response to the COVID-19 pandemic. HB 197 Section 29 required employers to continue to withhold and remit local income tax to the employee's principal place of business. This law stated that during the declared state of emergency and for a period of thirty days after that an "employee who performs personal services at a location, including the employee's home, to which the employee is required to report for employment duties because of the declaration shall be deemed to be a day performing personal services at the employee's principal place of work."

However, unlike HB 197 Section 29, HB 110 does not prohibit employers from updating or changing their employee's principal place of work. (HB 110 Section 610.115(B))

Additionally, for the period beginning March 9, 2020 and ending December 31, 2021, employees may claim refunds for taxes withheld and paid to the location deemed as their principal place of work for time worked outside of the municipality.

## Portland Maine Hazard Pay Set to Start in 2022

Maine's Supreme Court ruled on July 6, 2021 that Portland's hazard-pay is constitutional and will take effect on January 1, 2022.

A November 3, 2020 approved ballot measure increased the minimum wage by 1.5 times the effective minimum wage for employees who must report to work in Portland during a declared emergency. Under the approved ballot measure, the minimum wages for all employees will be raised to $13.00 per hour in 2022, $14.00 per hour in 2023, and $15.00 per hour in 2024. After January 1, 2025, the minimum hourly wage will increase by the increase in the cost of living.

Hazard-pay does not apply to telecommuting.

Currently, Portland's emergency declaration is set to expire on October 31, 2021.

## New York & Yonkers Raise their Supplemental Withholding Tax Rate

Effective July 1, the New York State supplemental withholding tax rate increased from 9.62% to 13.78%, an increase of 4.6 percentage points.

Additionally, the supplemental withholding tax rate for Yonkers residents increased from 1.61135% to 2.30815%. However, the Yonkers nonresident supplemental withholding tax rate remains at .5%.

NYS-50-T-NYS New York State Withholding Tax Tables and Methods Revised 7/21

NYS-50-T-Y Yonkers Withholding Tax Tables and Methods Revised 7/21

## Wisconsin will Continue to Use Schedule D for Unemployment Insurance Tax Rates

On July 8, Wisconsin Governor Tony Evers signed into law House Bill 406, which requires Schedule D of the unemployment insurance contribution tax rates to remain in effect for calendar years 2022 and 2023. Schedule D, with a maximum rate of 12%, is the schedule currently in effect for 2021.

Wisconsin's Department of Workforce Development currently has four schedules of unemployment insurance tax rates, with Schedule D containing the lowest rates. The schedule in effect for a given year is generally determined by the balance of the state's unemployment insurance reserve fund as of June 30 of the preceding year.

This measure prevents employer unemployment insurance tax rates from increasing as a result of a decrease in the states reserve fund.

## And Just So You Know…

Check out the Internal Revenue Service (IRS) Data Book, released on June 24. The Data Book highlights the role of the IRS in providing relief to millions of Americans during the COVID-19 pandemic. The IRS issued $412.9 billion of Economic Impact Payments (EIPs) in 2020.

The Data Book also reports that approximately 70.65% of the total IRS collections were employment taxes, highlighting the importance of every payroll department across the country. Employment taxes represented 69.93% of all IRS collections in 2019.

## Meet your Employment Tax Professionals:
## Paula Torres

Paula is a Manager in KPMG's Atlanta office with over 12 years of tax experience. As a Certified Public Accountant, Paula specializes in employment tax and regularly assists clients with their federal, state and local payroll tax needs. Paula is most excited about the rapidly changing way in which we work. She enjoys assisting her clients with developing new policies and procedures to accommodate a new mobile workforce, while staying compliant with the various state and local laws. Paula lives in Atlanta, GA and enjoys spending time with her husband and two boys, reading, and traveling.

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