

Employers Federal Tax Guide 2013



Federal tax guide for the employers of Puerto Rico (Publication 179)

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The federal tax guide for Puerto Rico employers, Publication 179 has issued the following changes for taxable year 2021.



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What's New

Coronavirus (COVID-19) related employment tax credits and other tax reliefs

- The Families First Coronavirus Response Act (FFCRA), enacted on March 18, 2020, and amended by the COVID-related Tax Relief Act of 2020, provides certain employers with tax credits that reimburse the cost of providing paid sick and family leave wages to employees for leave related to COVID-19.

Qualified sick and family leave wages and the related credits for qualified sick and family leave wages are only reported on employment tax returns with respect to wages paid for leave taken in quarters beginning after March 31, 2020, and before April 1, 2021, or unless extended by future legislation. If you paid qualified sick and family leave wages in 2021 for 2020 leave, a credit should be claimed on your 2021 employment tax return.

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, and amended by the Taxpayer Certainty and Disaster Tax Relief Act of 2020, provides eligible employers to claim a credit on their employment tax return, as long as employees are kept on payroll, despite experiencing economic hardship related to COVID-19.

The employee retention credit was extended to 2021 for qualified wages paid to employees between January 1, 2021, and June 30, 2021, and was previously available for qualified wages paid to employees between March 12, 2020, and December 31, 2020. Different rules apply for qualified wages paid after December 31, 2020.

- The CARES Act also allows employers to defer the deposit and payment of the employer share of social security taxes, and which should be reported on your 2020 employment tax return. The deferred amount is only available for deposits due on or after March 27, 2020, and before January 1, 2021, as well as deposits and payments due after January 1, 2021, that are required for wages paid on or after March 27, 2020, and before January 1, 2021.

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employers federal tax guide 2013

employers federal tax guide 2013 is an essential resource for any business navigating the complexities of federal payroll taxes. This comprehensive guide aims to equip employers with the knowledge necessary to understand their obligations, manage tax liabilities, and ensure compliance with IRS regulations for the 2013 tax year. We will delve into key areas such as employee withholding, employer tax responsibilities, reporting requirements, and important deadlines. Understanding these facets is crucial for maintaining a smooth and legally sound payroll operation. Whether you are a new business owner or a seasoned HR professional, this guide will serve as your go-to reference for federal tax matters relevant to employers in 2013.

- Understanding Federal Income Tax Withholding
- Employer's Share of Social Security and Medicare Taxes
- Federal Unemployment Tax Act (FUTA)
- Reporting Payroll Taxes
- Deposit Requirements for Payroll Taxes
- Key Deadlines for Employers
- Recordkeeping Requirements
- Common Employer Payroll Tax Mistakes to Avoid
- Resources for Further Assistance

Understanding Federal Income Tax Withholding for Employers

As an employer, a primary responsibility is to accurately withhold federal income tax from your employees' wages. This process ensures that employees are contributing to their income tax liability throughout the year, rather than facing a large bill at tax time. The amount withheld depends on several factors provided by the employee on Form W-4, Employee's Withholding Certificate. Employers must carefully review and utilize the information on this form to calculate the correct withholding amount. This includes factors like the number of allowances claimed, marital status, and any additional withholding requested by the employee. Incorrect withholding can lead to underpayment or overpayment of taxes by the employee, both of which can cause complications.

The Role of Form W-4

Form W-4 is the cornerstone of federal income tax withholding for employers. Employees use this form to inform their employer about the amount of federal income tax they want withheld from each paycheck. It allows employees to adjust their withholding based on their personal circumstances, such as filing status, dependents, and other income sources. Employers must ensure they have a completed and accurate Form W-4 on file for every employee. Any changes to an employee's withholding status, such as a change in marital status or the number of dependents, should be reported on a new Form W-4 as soon as possible. The IRS provides specific guidelines and tables that employers must use to determine the correct withholding

based on the information provided on Form W-4 and the applicable tax rates for 2013.

Withholding Methods and Tables

The IRS provides various methods and withholding tables that employers can use to calculate federal income tax withholding. These tables are typically found in IRS Publication 15-T, Federal Income Tax Withholding Methods. Employers can choose between percentage methods or wage-bracket methods, each offering a slightly different approach to determining the withholding amount. The choice of method can impact the accuracy of withholding, particularly for employees with varying income levels or complex tax situations. It is crucial for employers to understand these methods and select the one that best suits their payroll system and ensures compliance with IRS regulations for 2013.

Adjustments to Withholding

Employees may request adjustments to their federal income tax withholding beyond the standard allowances. This can include claiming additional withholding due to multiple jobs, significant non-wage income, or the desire to have more tax withheld to avoid a large tax liability at year-end. Conversely, an employee may claim fewer allowances if they anticipate a large tax refund. Employers must honor these requests as long as they are submitted on a valid Form W-4. It is important for employers to maintain clear records of any such adjustments and to ensure they are correctly implemented in the payroll processing for 2013.

Employer's Share of Social Security and Medicare Taxes

In addition to income tax withholding, employers are responsible for paying their own share of Social Security and Medicare taxes, often referred to as FICA taxes (Federal Insurance Contributions Act). These taxes are levied on wages paid to employees and are a significant part of an employer's payroll tax burden. For 2013, the Social Security tax rate for employers was 6.2% on wages up to an annual limit. The Medicare tax rate was 1.45% on all wages, with no annual limit. These rates are applied to gross wages earned by employees. Understanding these rates and the wage base limits is critical for accurate payroll tax calculations and remittances.

Social Security Tax Rate and Wage Base

The Social Security tax is designed to fund retirement, disability, and survivor benefits. For the 2013 tax

year, the Social Security tax rate for both employees and employers was 6.2%. However, there was an annual wage base limit, meaning Social Security tax was only applied to earnings up to a certain amount per employee. For 2013, this wage base limit was \$113,700. Once an employee's earnings reached this limit, no further Social Security tax was withheld or paid for the remainder of the year. Employers must track each employee's year-to-date earnings to ensure they do not over-withhold or over-pay Social Security tax beyond this threshold.

Medicare Tax Rate

The Medicare tax is intended to fund health insurance for retirees and the disabled. Unlike Social Security, there was no wage base limit for Medicare tax in 2013. Both employees and employers contributed at a rate of 1.45% on all wages paid. This means that regardless of how much an employee earned in 2013, Medicare tax was calculated and withheld on every dollar of their wages. Employers were responsible for remitting their 1.45% share, in addition to withholding the employee's 1.45% share, to the IRS.

Additional Medicare Tax

For 2013, an additional Medicare tax of 0.9% applied to employees whose earnings exceeded certain thresholds. While this additional tax was solely the responsibility of the employee and was withheld by the employer, it's important for employers to be aware of this provision. The thresholds for the additional Medicare tax were \$200,000 for single filers, \$250,000 for married couples filing jointly, and \$125,000 for married couples filing separately. Employers needed to have systems in place to identify employees exceeding these thresholds and withhold the additional tax accordingly.

Federal Unemployment Tax Act (FUTA)

The Federal Unemployment Tax Act (FUTA) imposes a tax on employers to fund state unemployment agencies. These agencies provide unemployment benefits to workers who have lost their jobs through no fault of their own. The FUTA tax is paid directly by the employer and is not withheld from employee wages. Understanding FUTA tax obligations is crucial for maintaining compliance and contributing to the unemployment insurance system. The FUTA tax rate and taxable wage base can vary, so it is important for employers to stay informed about the latest regulations.

FUTA Tax Rate and Taxable Wage Base

The standard FUTA tax rate is 6.0%. However, employers are allowed a credit of up to 5.4% for taxes paid to a state unemployment fund. This means that the effective FUTA tax rate for most employers is 0.6%, provided they paid their state unemployment taxes on time and in full. The FUTA taxable wage base is the amount of wages paid to each employee during the year that is subject to the FUTA tax. For 2013, the FUTA taxable wage base was \$7,000 per employee. Once an employee's wages reached \$7,000 for the year, no further FUTA tax was owed on their earnings.

State Unemployment Tax

While FUTA is a federal tax, employers also have obligations at the state level regarding unemployment tax. Each state has its own unemployment tax rate and wage base, which can vary significantly. Employers must register with their state unemployment agency and pay state unemployment taxes. These state taxes are generally credited against the FUTA tax liability, up to the maximum credit allowed. It is essential for employers to be aware of their specific state's unemployment tax requirements and to comply with them to receive the full FUTA tax credit.

Reporting Payroll Taxes

Accurate and timely reporting of payroll taxes is a critical responsibility for all employers. The IRS requires employers to file specific forms to report the taxes withheld from employees' wages and the employer's own payroll tax contributions. These reports provide the government with the necessary information to track tax liabilities and ensure compliance. Failure to file these reports correctly and on time can result in penalties and interest.

Form 941, Employer's Quarterly Federal Tax Return

Form 941 is the primary form used by employers to report federal income tax withheld from employees' wages, as well as the employer's and employee's share of Social Security and Medicare taxes. This form is filed quarterly. Employers must report the total wages subject to these taxes, the amounts withheld, and the total tax due for the quarter. It is essential to accurately complete all sections of Form 941, as any discrepancies can lead to audits or penalties. The information reported on Form 941 should align with the tax deposits made throughout the quarter.

Form 940, Employer's Annual Federal Unemployment (FUTA) Tax

Return

In addition to quarterly reporting of income, Social Security, and Medicare taxes, employers must also file an annual return for FUTA taxes. Form 940 is used for this purpose. Employers report their total FUTA tax liability for the year on this form, taking into account any state unemployment tax credits they are eligible for. Form 940 is generally due by January 31st of the year following the tax year. Employers should maintain records of all wages paid and FUTA taxes remitted throughout the year to accurately complete Form 940.

Form W-2, Wage and Tax Statement

At the end of the calendar year, employers are required to provide each employee with a Form W-2, Wage and Tax Statement. This form summarizes the employee's total wages earned, federal income tax withheld, Social Security tax withheld, Medicare tax withheld, and any other relevant tax information for the year. Employers must also file copies of these W-2 forms with the Social Security Administration. The deadline for furnishing W-2s to employees is typically January 31st of the following year, and the deadline for filing with the SSA is usually the end of February (or March if filing electronically).

Form W-3, Transmittal of Wage and Tax Statements

When employers file copies of Form W-2 with the Social Security Administration (SSA), they must also include Form W-3, Transmittal of Wage and Tax Statements. Form W-3 acts as a summary document, reporting the total wages and withheld taxes for all employees for whom W-2s are being filed. It essentially reconciles the amounts reported on all the individual W-2 forms with the totals submitted to the SSA. Accurate reconciliation between Form W-2 and Form W-3 is crucial to avoid errors and potential penalties from the SSA.

Deposit Requirements for Payroll Taxes

Timely deposit of collected federal payroll taxes is as important as accurate reporting. The IRS has specific rules and schedules that employers must follow for depositing withheld income taxes, Social Security taxes, and Medicare taxes. Failure to deposit on time can result in significant penalties. The deposit schedule depends on the amount of tax liability an employer has accumulated.

Semi-Weekly Depositors

Employers who have a federal payroll tax liability of \$100,000 or more during a lookback period are generally required to deposit taxes on a semi-weekly basis. For semi-weekly depositors, taxes that become payable on a Wednesday, Thursday, or Friday must be deposited by the following Wednesday. Taxes that become payable on a Saturday, Sunday, Monday, or Tuesday must be deposited by the following Friday. This strict schedule requires careful attention to payroll processing dates.

Monthly Depositors

If an employer's federal payroll tax liability was \$50,000 or less during the lookback period, they are likely classified as a monthly depositor. Monthly depositors are required to deposit taxes accumulated during a deposit period by the 15th day of the following month. For example, taxes accumulated in January are due by February 15th. The lookback period for determining deposit status is generally the four quarters of the previous calendar year.

Electronic Funds Withdrawal (EFW)

The IRS mandates that employers with a total tax liability of \$2,500 or more in the preceding calendar year must deposit their federal taxes electronically. This is typically done through the Electronic Funds Withdrawal (EFW) system, often referred to as EFTPS (Electronic Federal Tax Payment System). EFTPS is a secure and efficient way for employers to make their tax payments directly from their bank accounts. It is crucial for employers to enroll in EFTPS and understand how to use it for timely tax deposits.

Key Deadlines for Employers in 2013

Adhering to specific deadlines is paramount for employers to avoid penalties and interest. These deadlines apply to depositing taxes, filing tax returns, and furnishing statements to employees. Missing any of these critical dates can have financial repercussions for the business. It is advisable for employers to have a robust system in place to track and meet all payroll tax-related deadlines.

- **Quarterly Deadlines for Form 941:** The due dates for filing Form 941 are generally April 30th, July 31st, October 31st, and January 31st of the following year for the first, second, third, and fourth quarters, respectively.

- **Annual Deadline for Form 940:** Form 940, the annual FUTA tax return, is typically due by January 31st of the year following the tax year.
- **Employee Wage Statement Deadline (Form W-2):** Employers must furnish Form W-2 to their employees by January 31st of the year following the tax year.
- **SSA Filing Deadline for Form W-2:** Copies of Form W-2 must be filed with the Social Security Administration by February 28th of the year following the tax year if filing by paper, or March 31st if filing electronically.

Recordkeeping Requirements for Employers

Maintaining accurate and organized records is a fundamental aspect of payroll tax compliance for employers. The IRS requires employers to keep records that support the information reported on tax returns and deposited. These records serve as proof of compliance in the event of an audit. Having a well-maintained record-keeping system can simplify tax preparation, facilitate audits, and help prevent errors.

Types of Records to Keep

Employers should retain a variety of payroll-related records for at least four years from the date the taxes were due or paid, whichever is later. These records include:

- Employee names, addresses, and Social Security numbers.
- Total wages, salaries, tips, and other compensation paid to employees.
- Amounts of income tax, Social Security tax, and Medicare tax withheld.
- The FICA and FUTA taxes paid.
- Records of taxable wages for FICA and FUTA.
- Copies of filed tax returns (Forms 941, 940, W-2, W-3).
- Records of employee earnings statements.
- Information from Forms W-4 provided by employees.

- Records of any fringe benefits provided to employees.

Organizing Payroll Records

A systematic approach to organizing payroll records is essential. Employers should ensure that all payroll data is easily accessible and can be readily produced if requested by the IRS or other government agencies. This can involve using specialized payroll software, maintaining physical or digital filing systems, and ensuring that all financial transactions related to payroll are properly documented.

Common Employer Payroll Tax Mistakes to Avoid

Despite best intentions, employers can make mistakes when dealing with federal payroll taxes. Awareness of these common pitfalls can help businesses prevent costly errors and penalties. Understanding the nuances of withholding, reporting, and depositing taxes is key to avoiding these issues.

- **Incorrectly Calculating Withholding:** Errors in using withholding tables or processing Form W-4 changes can lead to under- or over-withholding.
- **Missing Deposit Deadlines:** Failure to deposit taxes by the stipulated deadlines, even by a day, can result in penalties.
- **Inaccurate FUTA Wage Base Tracking:** Not properly tracking employee wages against the annual FUTA wage base can lead to paying excess FUTA tax.
- **Errors on Tax Forms:** Inconsistent information between Forms W-2, W-3, and 941 can trigger IRS scrutiny.
- **Not Keeping Adequate Records:** Insufficient or disorganized records can hinder compliance and make audits difficult.
- **Failing to Update Payroll Software:** Withholding rates and tax laws can change; employers must ensure their payroll systems are up-to-date.

Resources for Further Assistance

Navigating the complexities of employer federal tax obligations can be challenging. Fortunately, the IRS and other organizations provide a wealth of resources to assist employers. These resources can offer clarification on specific issues, provide the latest tax forms and publications, and help ensure compliance with all federal tax laws.

- **Internal Revenue Service (IRS) Website:** The IRS website (www.irs.gov) is the primary source for federal tax information. It offers publications, forms, tax law updates, and online tools for employers.
- **IRS Publication 15, Employer's Tax Guide:** This comprehensive publication covers most aspects of federal employment taxes, including withholding, deposits, and reporting.
- **IRS Publication 15-T, Federal Income Tax Withholding Methods:** Provides detailed methods and tables for calculating federal income tax withholding.
- **IRS Publication 505, Tax Withholding and Estimated Tax:** Offers guidance on tax withholding for employees and estimated tax payments.
- **Social Security Administration (SSA):** The SSA website (www.ssa.gov) provides information regarding Social Security and Medicare taxes, including reporting requirements for W-2s and W-3s.
- **State Employment Agencies:** For state-specific unemployment tax information and requirements, consult your state's department of labor or employment security agency.
- **Tax Professionals:** For personalized advice and assistance, consider consulting with a qualified tax professional or payroll service provider.

Frequently Asked Questions

What are the key changes employers needed to be aware of for federal payroll taxes in 2013 compared to previous years?

For 2013, a significant change was the expiration of the Social Security payroll tax rate reduction. The employee's share of Social Security tax reverted to 6.2% from 4.2%, impacting take-home pay. Employers continued to match this rate.

How did the Affordable Care Act (ACA) start affecting employers in 2013 regarding federal tax obligations?

While many ACA mandates were phased in later, 2013 saw the introduction of the employer information reporting requirements (Forms 1094-C and 1095-C) for applicable large employers (ALEs), although penalties for non-compliance were deferred. Employers also began planning for potential employer shared responsibility payments.

Were there any updates to the standard mileage rates for business use of an automobile that employers needed to use for 2013 federal tax purposes?

Yes, the IRS updated the standard mileage rates for 2013. The rate for business miles driven was 56.5 cents per mile, an increase from the previous year, which employers could use for deducting vehicle expenses or reimbursing employees.

What were the federal tax implications for employers offering retirement plans in 2013, particularly concerning contribution limits?

For 2013, the maximum elective deferral limit for employee contributions to 401(k) plans remained \$17,500, with an additional catch-up contribution limit of \$5,500 for those aged 50 and over. Employers needed to ensure their plans adhered to these limits for tax-qualified status.

Did the federal tax guide for 2013 introduce any new requirements for reporting wages and other compensation paid to employees?

Beyond the ACA reporting mentioned, general wage and compensation reporting on Form W-2 remained a crucial federal tax requirement for employers in 2013. This included reporting regular wages, tips, other compensation, and amounts withheld for various taxes.

How did changes in federal tax brackets or rates for individuals in 2013 affect employers' payroll tax calculations or withholding responsibilities?

While individual income tax brackets and rates changed for 2013, notably with the expiration of lower Bush-era tax rates, employers' primary responsibility was to accurately withhold federal income tax based on the updated W-4 forms provided by their employees and the IRS withholding tables. These tables incorporated the new individual tax rates.

Additional Resources

Here are 9 book titles related to "Employer's Federal Tax Guide 2013," with descriptions:

1. *IRS Employer Tax Kit 2013*

This comprehensive guide is designed to provide employers with a foundational understanding of their federal tax obligations for the 2013 tax year. It covers essential topics like employee identification, withholding, reporting requirements, and payroll tax deposits. The book aims to demystify complex IRS regulations, making compliance more manageable for businesses of all sizes. It's an excellent starting point for new employers or those seeking a refresher on key compliance areas.

2. *Navigating Payroll Taxes for Small Business 2013*

Specifically tailored for small business owners, this resource breaks down the intricacies of federal payroll taxes for 2013. It explains concepts such as FICA taxes, federal unemployment taxes (FUTA), and income tax withholding, providing practical guidance on calculating and remitting these payments. The book also touches on common pitfalls and offers strategies for efficient payroll management. Its focus on accessibility makes it ideal for entrepreneurs who may not have dedicated HR or payroll staff.

3. *Employee Withholding and Reporting Fundamentals 2013*

This book delves into the critical aspects of employee withholding and reporting for the 2013 tax year. It details how to correctly determine employee tax withholdings based on W-4 information and outlines the essential forms and deadlines for reporting wage and tax information to the IRS. Readers will learn about various withholding allowances and their impact, as well as best practices for accurate record-keeping. It serves as a practical manual for anyone responsible for payroll processing.

4. *Federal Employment Tax Compliance for 2013*

This title offers a thorough examination of federal employment tax compliance requirements specifically for employers in 2013. It provides detailed explanations of Social Security, Medicare, and federal income tax withholding, along with information on FUTA tax. The book highlights key legislative changes and IRS updates relevant to employers during that year. It's a valuable resource for ensuring accurate filings and avoiding penalties.

5. *Understanding Employer Tax Obligations: A 2013 Guide*

This straightforward guide aims to clarify the multifaceted tax obligations employers face at the federal level for the 2013 tax year. It covers the essential taxes employers must pay, including those withheld from employee wages and those levied directly on the employer. The book emphasizes the importance of timely deposits and accurate reporting. It serves as a foundational text for understanding the financial responsibilities associated with hiring employees.

6. *The Employer's Handbook to Payroll and Tax Forms 2013*

This practical handbook focuses on the specific forms employers needed to interact with the IRS regarding payroll and taxes in 2013. It explains the purpose and completion of crucial documents like Form 941, Form 940, and W-2s. The book provides step-by-step instructions and tips for accurate form preparation. It is an

indispensable tool for anyone directly involved in filing federal payroll tax returns.

7. Federal Withholding and FICA Taxes: Employer Edition 2013

This specialized guide concentrates on two core components of federal employer taxes: withholding and FICA taxes (Social Security and Medicare) for the 2013 tax year. It offers in-depth explanations of how to calculate these taxes accurately, covering wage bases and tax rates applicable during that period. The book also addresses the employer's portion of FICA taxes. It's a focused resource for mastering these critical payroll elements.

8. Key Federal Tax Requirements for Employers in 2013

This title highlights the most critical federal tax requirements that employers needed to adhere to in 2013. It distills complex IRS information into actionable steps, covering areas such as identifying taxable wages, making timely tax deposits, and understanding penalty structures. The book emphasizes proactive compliance strategies to minimize risk. It's designed for busy employers who need to quickly grasp the essential "must-knows."

9. Federal Payroll Tax Reporting for 2013: A Complete Overview

This comprehensive overview provides a complete picture of federal payroll tax reporting for employers in 2013. It details the processes for reporting wages paid, taxes withheld, and unemployment taxes to the relevant federal agencies. The book covers both periodic and annual reporting obligations, ensuring employers understand their full reporting cycle. It serves as a definitive guide to meeting the IRS's reporting demands for that tax year.

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