



Payroll Insights

Employment tax news to guide you now and for the future

November 2021



John's Fresh Take: Do you know where your employees are working from?

As we approach year-end, work from home/work from anywhere ("WFA") has been a topic on many employers' and employees' minds. The big question facing many employers today – do you know where your employees are working? And why should you care?

Knowing where your employees are working is becoming increasingly important as year-end approaches and discussions of return to the office are starting. Here are just a few high-level items to consider:

- Looking to year-end – Some employees (as we payroll professionals know) don't realize the value of updating addresses for the jurisdictions in which they are performing services or if they moved their primary residences. If you have a large population living/working in a different state or locality without your knowledge, you could be facing a large number of W-2c requests and unhappy employees come January. Or, you may learn an employee had been working abroad for the past few months, creating a possible tax issue for the company.
- Looking to 2022 and new ways of working – As your company creates its "return" to office structure, be it remote, in-person, or a hybrid model, it is important that all interested parties help develop a strategic approach. Along with payroll this may include human resources, global mobility, as well as the payroll and tax departments. As you set the company's new ways of working structure, there may be new taxing jurisdictions and/or tax allocations between jurisdictions to consider.

It is important to fully understand the payroll (and other tax) implications of WFA and ensure the employer is ready both to close out 2021 smoothly and enter 2022 in compliance.



Federal



Social Security Wage Base – Final

The Social Security Administration **released** the final wage base, which was increased to \$147,000.



Form 1099-NEC added to the combined federal-state filing program

The Internal Revenue Services (“IRS”) has issued an updated version of **Publication 1220, Specifications for Electronic Filing of Forms 1097, 1098, 1099, 3921, 3922, 5498, and W-2G** (Rev. 9-2021), which includes two important updates for employers:

1. Section 7 – the Combined Federal/State Filing (CF/SF) Program was updated to include Form 1099-NEC, *Nonemployee Compensation*
2. Section 12 – this now includes information on forms, such as Form 1099-NEC that may be filed using the CF/SF Program

KPMG has issued a **report** providing additional guidance.

State



California: Fraud protection

California has passed several laws to help with fraud prevention and several to help the State’s unemployment system. These include AB 110 and AB 397:

- **AB 110** aims to address fraudulent claims made by inmates for state unemployment benefits
- **AB397** aims to require additional safeguards within the EDD system and changes the timeline to respond to a disqualification notice.



Virginia: Classification of workers

The Virginia Department of Taxation has provided **guidelines** for the classifications of workers. Under this guidance, employers are to consider individuals who perform services for them for remuneration as employees unless worker or employer are able to demonstrate and prove that no employment relationship exists. This may be done by adhering to the IRS standards, which include three main categories – behavioral control, financial control and the relationship of the parties.

Should the employer misclassify the worker(s), penalties may be imposed for each individual misclassified. These penalties may increase based on the number of instances of misclassification (for example, if the employer is under a second or third audit). In addition, if misclassifications are found in subsequent audits, some entities may be prohibited from obtaining contracts and/or awards from public bodies.

Unless specifically prohibited, the Taxation Department will be working with state agencies to help identify worker misclassification.



Year-end updates: State guidance

As we approach the end of the year, states have started issuing guidance on how to properly report year-end forms such as Forms W-2 and 1099s. Among these are Iowa, Kentucky, Nebraska and Oklahoma.



Iowa – Year-end filing

The Iowa Department of Revenue will be introducing a new portal under GovConnectIowa beginning November 15, 2021. This site will be used for Forms W-2 and 1099 submissions, as well as withholding tax return submissions and tax payments. Details about the new portal and testing options may be found on the agency's [website](#).



Kentucky – Year-end filing

The Kentucky Department of Revenue has issued 2021 [guidelines](#) on the electronic submission of year-end forms including but not limited to 1099MISC, 1099NEC, and 1099DIV.



Nebraska – Year-end filing

Nebraska Department of Revenue issued [guidance](#) regarding the reporting and submission of Forms W-2 and 1099.



Oklahoma – Truncation of year-end forms

Oklahoma Department of Revenue will allow employee Social Security numbers to be truncated on their Form W-2.

Rate updates

Similar to guidance on how to properly process and file year-end returns, states have started issuing guidance on 2022 employment tax rates. Employers should be working with their tax teams and payroll providers to ensure the proper set-up as we enter the new tax year.



Indiana

The Department of Revenue issued Departmental [Notice #1](#), providing updates for Indiana County Income Tax rates effective October 1, 2021. Note, additional rate changes may be released again January 1, 2022.



Massachusetts

The Massachusetts Family-Leave contribution [rate](#) will be lowered to 0.68% in 2022 from 0.75% in 2021.



New York

New York Department of Taxation and Finance has provided *draft* 2022 withholding rates for the state and Yonkers. While still in draft form and subject to change, the proposed rule could change the rate tables as well as the supplemental withholding tax rates from their current levels.



Meet one of our Employment Tax professionals: Jennifer Phillips

Jennifer is a Manager in the KPMG Employment Tax practice based in Columbus, OH and has over 10 years of employment tax experience. As a Certified Payroll Professional, Jennifer has been dedicated to the area of global, federal, state, and local payroll, regularly assisting clients with their payroll tax needs.

Jennifer lives in Columbus, Ohio with her husband and fur baby Jasper.

Email: jenniferphillips@kpmg.com

Phone: 614-249-1946

Contact us

John Montgomery
Partner,
National Employment Tax Lead
T: 212-872-2156
E: jmontgomery@kpmg.com

Mindy Mayo
Managing Director,
Employment Tax
T: 408-367-5764
E: mindymayo@kpmg.com

Manan Shah
Managing Director,
Employment Tax
T: 404-739-5247
E: mananshah@kpmg.com

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