



SAUNDERS MERTENS SCHMITZ, P.A.
Certified Public Accountants

Date: May 2021

TO: Business Payroll Clients

SUBJECT: 2021 Payroll Records

The firm of Saunders Mertens Schmitz, P.A. has put this packet together for informational purposes. It includes information we feel pertinent to our clients.

New Item: COVID-19 Sick Pay and Family Leave Tax Credits - Contact our office if you have questions regarding this tax credit.

AT TIME OF HIRE:

Hiring an individual to work in a business is a contract wherein the employer agrees to provide the employee a safe place to work, and to pay for services rendered. The terms of this relationship, like any contract, should be discussed, understood, agreed upon, and ***documented***.

The following forms are ***REQUIRED BY LAW*** and **MUST** be completed by **every employee** you hire or re-hire each year!! Make sure you have all the information on hand to prevent any penalties. These forms should be filled out at hiring or must be filled out within 3 days after employment begins. A civil fine up to \$10,000 can be imposed against an employer for hiring an alien who is unauthorized to work in the U.S. or fails to comply with I.N.S. requirements.

1. MN Department of Labor & Industry-Wage Theft Law-Employee Notice-Form enclosed

This law requires that all employers in Minnesota provide each employee with a written notice at the start of their employment and keep a signed copy of the notice on file.

The notice must contain required information about an employee's employment status and terms of employment. The notice must also include a statement, in multiple languages, that informs employees they may request the notice be provided to them in another language. I have attached the form that the Minnesota Department of Labor & Industry has provided.

The new law also requires the following additional information be included on the earnings statements (or paystubs) provided to the employees each pay period:

- Employee's rate or rates of pay and basis thereof, including whether the employee is paid by the hour, shift, day, week, salary, piece, commission or other method.
- Allowances claimed for permitted meals and lodging.
- Employer's telephone contact

- Physical address of employer's main office or principal place of business and a mailing address, if different

2. Form I-9 Employment Eligibility Verification – Form enclosed

The Department of Homeland Security has revised the Form I-9, so be sure to use the new Form that expires on 10-31-22.

Employees fill out Section 1. This must be completed, signed, and dated by the employee when employment begins. Make sure they have completed the "I attest I am a ____" box portion and the signature area. The I.N.S. will verify that these areas are completed.

Employers fill out Section 2. This must be completed, signed, and dated. This also requires that each employee have proof of citizenship from either List A or one item from Both List B and C. These lists can be found on the back of the form. *You must verify your employees paperwork.*

Experience indicates photo copies of documents viewed is extremely valuable to prove employer compliance when I.N.S. comes to visit. Please note, laminated social security cards are not valid.

Employers fill out Section 3 in the case of a re-hire in year 2.

You must have one I-9 Form for every person who works for you. The I-9 Forms must be kept on file for at least 3 years, or one year after employment ends, whichever is greater.

3. New Federal Form W-4 – Form enclosed

Steps 1 through 5 must be completed by the employee. **The remainder of the form the employer must complete for every employee.**

You must have one Form W-4 for every person who works for you. Any alteration of, or unauthorized addition to, a withholding certificate makes it invalid. If you have reason to believe that a withholding certificate has incorrect information, you should advise the District Director.

A Form W-4 remains in effect until the employee gives you a new one. **You are required to have your employees fill out a new form W-4 every year!**

4. NEW Minnesota Form W4-MN – Form enclosed

This form also needs to be completed by the employee. If the 2021 Federal Form W-4 is completed, the employee must also complete the Minnesota Form W-4MN to determine the allowances for Minnesota income tax withholding. (Be sure that they have filled in lines 1 & 2 at the bottom, just above their signature.)

5. **Child Support Disclosure Form**

Employer is required, by Minnesota Law, to submit a copy of the W-4 Form to the Minnesota New Hire Reporting Center. The law requires employers to provide the employee's Form W-4 as well as their own name, address, and Federal employer identification number. All employers will report to the Minnesota New Hire Reporting

Center by mailing or faxing a copy of the new employee's Form W-4 or reporting online. By providing this information, it will enable child support staff to quickly locate missing parents and match employees with support obligations to begin collecting support for the children.

Send this information to:
Minnesota New-Hire Reporting Center
PO Box 64212
St. Paul MN 55164-0212
FAX: 800-692-4473

newhire-reporting.com/MN-Newhire

The state law provides, that if you do not comply with the law of the Department of Human Services and you should have been withholding revenue from the paycheck of your employee for child support of their children, you, the employer, are required to submit those payments calculated at a rate of 65% of the net check to the Department of Human Services. Obviously, 65% of an employee's check is a significant increase in your payroll costs.

WAGE RULES:

- Minimum wage for small employers is **\$8.21/hour** and for large employers **\$10.08/hour**.

* The definition of a "large-employer" is "any enterprise whose annual gross volume of sales made or business done is greater than \$500,000."

- **IT IS GOOD PRACTICE TO SET UP A PAYDAY AND STICK WITH IT FOR YOUR EMPLOYEES!** Setting up a pay schedule and sticking to it will prevent employees from contacting you at odd hours and will minimize the chances of you missing a paycheck in your deposits and therefore being penalized.
- All hours worked over 40 hours per week is considered overtime. Overtime pay is calculated at 1 ½ times the regular rate of pay.

PAYROLL TAXES:

Employers are required to withhold Social Security, Medicare, Federal, and Minnesota taxes on every employee consistent with their W-4 exemptions. If you are not doing so, you may need to apply for State or Federal identification numbers, and start withholding according to the tables and reporting recaps to the Federal and State.

Social Security & Medicare Taxes Withheld: Take the gross wages and multiply them by 7.65% (.0765) to determine the combined Social Security/Medicare tax amount to be withheld. Or, take the gross wages times 6.2% for Social Security and the gross wages times 1.45% for Medicare. EVERYONE is required to withhold these taxes!

Federal Income Tax: To know how much income tax to withhold from the employee's wages you should use the employee's Form W-4 on file for each employee. If an employee does not give you a completed Form W-4, withhold tax as if he or she is single, with **zero** withholding allowances. Follow the tables to get the amount that needs to be withheld.

Minnesota Income Tax: Withholding is required by **all** employers! This operates the same as Federal Income tax, but you should be using a separate Minnesota Withholding booklet to figure the withholding amount. If you need any of these tables, please contact our office.

Additional information you will need to know: The amount of wages earned, the pay period type (Weekly, BI-Weekly, Semi-monthly, Monthly, etc.), and hours worked.

TAX DEPOSITS:

All payments are due on a monthly basis. Some of you may even have to deposit on a semiweekly basis. Penalties are incurred for any late deposits. Your Federal deposit should include the total amount of gross wages multiplied by 15.30% (.1530) plus the total amount of the Federal income tax withheld. Your State deposit will be the total amount of State income tax withheld for that month.

PENALTIES: If you do not deposit Social Security and withheld income taxes on time with an authorized financial institution you may have to pay a penalty. **A 10% penalty is charged when taxes are not deposited on time.** If you do not withhold income tax and Social Security taxes from employees, you may be subject to a penalty of 100% of the tax under section 6672 of the Internal Revenue Code (that is double the tax). If you are a person responsible for the collection and payment of withholding taxes, you can be subject to this penalty.

RECORD KEEPING:

- Employers should insist that advances be considered payment of wages and treated like any other regular pay period, (this would include withholding of taxes). Then upon completion of the job, employers would deduct all previous payments from the total amount owed and pay the difference. You should keep adequate records to establish the total amount paid to the employees, minus advances.
- We need to know the **number of Hours the employee has worked** when you bring their payroll information sheet into our office. This information is needed when filling out the Quarterly reports. This will allow your employees the correct benefits for unemployment and it makes sure that you are not paying more for your unemployment liabilities. Some employees are exempt from Minnesota Unemployment. We need to know who the corporate officers are and if there are any family members employed so we can correctly assess their wages.

For your convenience, payroll forms are enclosed. Additional forms are available at our office, free of charge to our clients, or feel free to make photocopies.

Our office will be closed Friday afternoons again this summer so please make note of this.

Sincerely,



Dawn Lingl
Payroll Manager