



# Payroll Insights

Employment tax news to guide you now and for the future

May 2023



## John's fresh take: American Payroll Association's Annual Congress

May is the month for payroll practitioners to come together at the American Payroll Association's Annual Congress, held May 16–19 in Denver, Colorado, at the Gaylord Convention Center. The conference allows attendees to build a customized education program from a wide variety of workshops covering topics including domestic and foreign payroll, accounts payable, human resources, management, benefits, technology, and career development. KPMG's Employment Tax Practice will be conducting sessions on global payroll, independent contractors, and communicating with your stakeholders. The Human Capital Advisory Practice as well as Global Mobility Services will also be on hand with additional sessions.

KPMG professionals will be both instructing at and attending Congress, and we are looking forward to the networking opportunities throughout the week. If you are in attendance, please stop by one of our sessions, listed below, and say HI!

|  |                             |
|--|-----------------------------|
| <i>Earnings and Deductions Code Set-Up</i>           | May 16, 1:45 p.m–2:45 p.m   |
| <i>Canadian Cross-Border Payroll</i>                 | May 17, 4:00 p.m–5:00 p.m   |
| <i>So You Want to Be an Independent Contractor?</i>  | May 17, 5:15 p.m–6:15 p.m   |
| <i>Are you Effectively Serving Your Client Base?</i> | May 19, 11:00 a.m–12:00 p.m |
| <i>When Does a Visa Impact Withholding?</i>          | May 19, 2:30 p.m–3:30 p.m   |

### Tips and tricks to learn payroll

Learning the ins and outs of payroll taxes can be daunting. Payroll education has historically been difficult to obtain, but resources are increasingly available.

Below are some tips and tricks regarding education for payroll professionals:

1. The IRS provides various articles and tools to help employers understand federal payroll tax basics and recordkeeping for businesses with employees.
2. The [American Payroll Association \(APA\)](#) is a professional association for individuals responsible for processing company payrolls. The APA conducts annual payroll training courses and seminars and publishes a library of payroll resource texts and newsletters.



3. Various undergraduate and graduate-level degree programs offer payroll tax courses. Schools such as UCLA and Harvard offer specific payroll courses that teach procedures, taxing entities, local state reporting requirements, federal taxes in manual and computerized environments, and basic accounting principles. These courses also prepare students to pass the Fundamental Payroll Certification exam offered by the APA.

## Federal updates

### IRS abandons W-2 redesign for 2023

The Internal Revenue Service is no longer planning to redesign Form W-2 for 2024, following comments from the public.

The IRS initially planned a redesign for the 2023 form, releasing a first draft that compressed the employee copies B, C and 2 onto one page and removed Copy D from the employer's records. The second draft as released restored the employee copies at their previous dimensions and included Copy D. The final 2023 version of Form W-2 for US territories does not include Copy D.

Instead, the IRS officials stated that the plan to redesign the Form W-2 in 2024 has been halted and there are no further changes planned for the 2023 Form W-2.

### Social Security Administration, 2024 updated wage base projections

According to the annual 2023 [report](#) released on March 31 by the Social Security Board of Trustees, the Old-Age, Survivors, and Disability Insurance wage base is projected to increase by about 4.7% to \$167,700 in 2024. The actual taxable wage limit will not be released until closer to year-end.

## State and local updates

### Maryland Potential Minimum Wage Increase

Under legislation that is expected to be signed into law, Maryland's minimum wage would rise to \$15 per hour in January 2024, a year earlier than originally scheduled. The bill, [SB 555](#), would speed up the schedule for increasing the state's wage floor under the \$15 minimum wage law enacted in [2019](#).

The previous law called for gradually phasing in the \$15 minimum by January 2025 for employees and July 2026 for smaller employers. However, the minimum wage will be expected to increase to \$15 for all employers once Governor Wes Moore (D) signs SB 555 into law.

### Michigan Updates Withholding Guide

On April 4, the Michigan State Treasury announced the state will be making updates to the Michigan 2023 withholding guide following an announcement that the state's flat income tax rate would decrease for 2023.

The state treasurer confirmed in a [news release](#) that the tax rate for 2023 is 4.05%, instead of 4.25%. While state law sets the rate at 4.25%, a statute passed in 2015 allows the income tax rate to be reduced starting in 2023 if the state general fund revenue grows by a greater percentage than the rate of inflation in a given year, assuming the rate of inflation is positive.

The 2023 [withholding guide](#) was updated to reflect the lower tax rate. The guide also reflects changes to the amounts that can be exempted from taxable pension income, which were made under [H.B. 4001](#), signed into law on March 7.

### Minnesota City Earned Sick and Safe Leave Rules

On March 31, the city of Bloomington, Minnesota, released initial [rules](#) governing its earned sick and safe leave (ESSL) law. The initial rules provide administrative regulations for the city's ESSL ordinance.

All employers are covered, although employees provided by a staffing agency are considered employees of the staffing agency. Employers do not need to provide ESSL if they already provide a paid time off policy that accrues at the same rate as ESSL and may be used for the same purposes.

ESSL is compensable at an employee's regular rate of pay for employers with at least five employees and may be unpaid for all other employers.

Employees are entitled to accrue ESSL once they work at least 80 hours in Bloomington in a calendar year. The calendar year is a consecutive 12-month period determined by the employer and may be based on the employee's first day of work.

Employees accrue one hour of leave for every 30 hours worked, and earnings statements must show the number of ESSL hours accrued and unused at the end of each pay period.

### **North Dakota Worker Classification Criteria**

North Dakota recently established criteria for determining whether drivers of transportation network companies are independent contractors under [HB 1381](#).

Effective August 1, HB 1381 defines transportation network company drivers as individuals who enter into an agreement with a company to provide services through a digital network in exchange for compensation. Individuals who transport freight or closed parcels and containers are specifically excluded from the definition. Further, the drivers cannot perform services at a physical business location operated by the company.

Transportation network company drivers are independent contractors under the following conditions:

- The agreement between the company and the driver must state that the driver is an independent contractor.
- The company cannot unilaterally set specific hours of availability for the driver.
- The company cannot terminate drivers for refusing to accept specific service requests or forbid drivers from being employed elsewhere or performing services through another transportation network company.

Also under the new law, the company must not prohibit drivers from using a vehicle with an internal combustion engine.



### **Meet one of our Employment Tax professionals: Nariah McLendon**

Nariah McLendon is an associate with our New York team and has been with the firm since 2021. Nariah assists clients with state payroll tax issues, notice resolution, and annual reporting compliance at the federal, state, and local levels. Nariah enjoys baking with her little sister and is looking forward to learning how to play the guitar this summer.

**E:** [nmclendon@kpmg.com](mailto:nmclendon@kpmg.com)

## Contact us

**John Montgomery**  
**National Employment Tax Lead Partner**  
T: 212-872-2156  
E: [jmontgomery@kpmg.com](mailto:jmontgomery@kpmg.com)

**Reagan Aikins**  
**Managing Director, Employment Tax**  
T: 703-286-6596  
E: [raikins@kpmg.com](mailto:raikins@kpmg.com)

**Mindy Mayo**  
**Managing Director, Employment Tax**  
T: 408-367-5764  
E: [mindymayo@kpmg.com](mailto:mindymayo@kpmg.com)

**Manan Shah**  
**Managing Director, Employment Tax**  
T: 404-739-5247  
E: [mananshah@kpmg.com](mailto:mananshah@kpmg.com)

**Jon Stone**  
**Managing Director, Employment Tax**  
T: 408-367-1983  
E: [jwstone@kpmg.com](mailto:jwstone@kpmg.com)

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