



Payroll Insights

Employment tax news to guide you now and for the future

December 2023



John's fresh take: 2023 year-end payroll considerations

We've been planning for the 2023 year-end for months, and now it's here! While our colleagues in other departments are decorating their cubicles, payroll professionals are busy making sure that all taxable items distributed by Accounts Payable are included in payroll, benefits are being reported in the proper Box 12 codes of the Form W-2 with the appropriate accruals, wages have been allocated correctly for state payroll tax purposes, and our systems are set up and ready for any changes effective January 1, 2024. KPMG has pulled together many of these considerations into one webinar to help you through the season. If you missed the live session, then you can find the replay [here](#). Also make sure to check out the 2023 year-end checklist I mentioned in last month's edition of *Payroll Insights* and the 2023 Payroll Year-End Report and Checklist, our collaboration with Bloomberg Tax that covers 2023 legislation, Form W-2 fringe benefit reporting, and more, [here](#).

Federal updates

Reminder! Electronic filing requirements changed

In February 2023, the Internal Revenue Service (IRS) issued final regulations requiring information returns, such as the Form 1099 series and Form W-2, Wage and Tax Statement, to be filed electronically if the company is filing 10 or more information returns (**in aggregate**), beginning with forms due in 2024.

Forms W-2 and W-2c, Corrected Wage and Tax Statement, must be filed electronically via the Social Security Administration's [Business Services Online](#) portal. An employer can register for the portal online; however, separate authorization is required to file the forms via the portal, and it may take at least two to four weeks for the authorization code to arrive in the mail. Therefore, we recommend registering and requesting authorization *as soon as possible* to avoid potential delays and late filing.

The Form 1099 series (e.g., 1099-MISC, 1099-NEC, 1099-DIV) may be filed via the IRS's new system, [Information Returns Intake System](#) (IRIS), or the existing system, [Filing Information Returns Electronically](#) (FIRE). IRIS is intended to simplify the e-filing process of Forms 1099 by allowing hand-keyed data, downloadable copies of the forms, and data retention. Both systems require a Transmitter Control Code (TCC) to use the system, and it may take up to 45 days to receive the TCC after application. Therefore, we recommend registering and requesting authorization *as soon as possible* to avoid potential delays and late filing.



Moratorium on Employee Retention Credit processing

The IRS held a webinar (playback [here](#)) on November 2 addressing the status of processing Forms 941-X, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund, claiming an Employee Retention Credit (ERC), including a brief Q&A. The webinar focused on the process for withdrawing a Form 941-X that has been filed but not processed and returning erroneous refunds that may have been previously granted. Of note, the IRS said they are continuing to process Forms 941-X filed prior to the announcement of the moratorium on September 14, but the processing may take at least 180 days. At this time, the statute of limitations for filing claims for the 2020 calendar year (ending April 15, 2024) has not been extended. Nevertheless, given the expiring statute, it appears that companies continue to file their outstanding ERC claims in order to ensure they are considered timely filed by the IRS.

Federal unemployment tax credit reductions

For the quarters ending March 31, June 30, and September 30 each year, employers are required to remit Federal Unemployment Tax Act (FUTA) tax at a rate of 0.6 percent. This rate assumes a 5.4 percent tax credit for state unemployment insurance (SUI) taxes timely paid to states. A state may take a "Title XII" loan from the federal government to help pay out unemployment claims. Where a loan has been outstanding for two or more years, the federal government may reduce the 5.4 percent tax credit for SUI taxable wages in the affected state in increments of 0.3 percent per year until the state has repaid the loan. The additional tax generated from the credit reduction is due with the employer's deposit for the quarter ending December 31 (due January 31).

The cutoff date for a state to repay its Title XII loan without triggering the FUTA tax credit reduction for the year is November 10. For [2023](#), the states with outstanding Title XII loan balances as of November 10, 2023 are California (0.6 percent credit reduction), New York (0.6 percent credit reduction), and the Virgin Islands (3.9 percent credit reduction). Therefore, for SUI taxable wages of up to \$7,000 per employee paid to California, New York, and the Virgin Islands, additional tax will be due of \$42, \$42, and \$273, respectively.

IRS interest rates for Q1 2024

The IRS [announced](#) that the interest rates for the quarter beginning January 1, 2024 will remain unchanged. The overpayment interest rate will be 8 percent (7 percent for corporations). Interest on corporate overpayments exceeding \$10,000 will be 5.5 percent. The underpayment interest rate will be 8 percent (10 percent for large corporate underpayments).

2024 Inflation-adjusted payroll amounts

The IRS [released](#) the 2024 limits for various earnings and credits, including:

- Standard deduction – \$14,600
- Dependent deduction – \$1,300
- Maximum earned income credit – \$7,830
- Health Flexible Spending Arrangement – \$3,200
- Qualified parking and transit – \$315
- Adoption assistance – \$16,810
- Foreign earned income exclusion – \$126,500
- Federal tax levy exemption – \$5,000

In a separate [release](#), the IRS provided the 2024 limits for deferred compensation, including:

- Section 401(k), 403(b), and 457 plan contribution limit – \$23,000
- Catch-up contribution limits – \$7,500
- Defined contribution plan limit – \$69,000
- Defined benefit plan limit – \$275,000
- Control employee for fringe benefit valuation threshold – \$135,000

These updates are reflected in the draft [2024 Publication 15-B](#), Employer's Tax Guide to Fringe Benefits, and the draft [2024 Publication 15-T](#), Federal Income Tax Withholding Methods.

NLRB issues final rule for joint employer status

Effective February 26, 2024, the 2020 rule “Joint Employer Status under the National Labor Relations Act” is rescinded. The [final rule](#) reinstates the more general, common law definition of employer for purposes of determining joint employer status under the National Labor Relations Act, which governs labor organizations and collective bargaining. The 2023 final rule updates the 2022 proposed rules to clarify certain definitions, identify the types of control relevant to the determination, and describe the bargaining obligations of the joint employers.

State updates

Alaska 2024 minimum wage increase

Alaska’s Department of Labor [notified](#) employers that the minimum hourly wage will increase from \$10.85 to \$11.73, effective January 1, 2024, in accordance with the increase in the Consumer Price Index. The minimum salary for certain exempt employees will increase from \$45,136 per year to \$48,796.80.

Arkansas 2024 withholding tables

Arkansas has issued its [2024](#) withholding tax tables, effective January 1, 2024.

Cupertino, California 2024 minimum wage increase

The minimum hourly wage for employees performing at least two hours of services within Cupertino in a workweek will [increase](#) from \$17.20 to \$17.75, effective January 1, 2024.

Oakland, California 2024 minimum wage increase

The minimum hourly wage for employees performing at least two hours of services within Oakland in a workweek will [increase](#) from \$15.97 to \$16.50, effective January 1, 2024. The separate, minimum hourly wage for certain hotel employees will also increase.

Sonoma, California 2024 minimum wage increase

The minimum hourly wage for employees performing at least two hours of services within Sonoma in a workweek will [increase](#) from \$17 to \$17.60 for a large employer (at least 26 employees) and from \$16 to \$16.56 for a small employer, effective January 1, 2024.

Sunnyvale, California 2024 minimum wage increase

The minimum hourly wage for employees performing at least two hours of services within Sunnyvale in a workweek will [increase](#) from \$17.95 to \$18.55, effective January 1, 2024.

California garnishment reduction

California’s Franchise Tax Board issued an [Income Tax Bulletin](#) regarding the reduction in the amount of wages it can levy in a pay period for court-ordered debt and vehicle registration collection earnings withholding orders. This reduction was effective September 1, 2023 and reduces the judgment of disposable earnings from 50 percent of the amount by which the disposable earnings for the week exceed 40 times the state minimum hourly wage to the lesser of 20 percent of the worker’s disposable earnings for that week or 40 percent of the amount by which the worker’s disposable earnings for that week exceed 48 times the state minimum hourly wage.

Boulder County, Colorado 2024 minimum wage

Boulder County [passed](#) a minimum wage ordinance that provides for a minimum hourly rate of \$15.69 beginning January 1, 2024, increasing annually. The ordinance applies to employees performing services for at least four hours per week in unincorporated portions of the county.

Idaho 2024 unemployment insurance tax rates

Idaho announced that, in general, its unemployment insurance tax rates will [rise](#) in 2024. Its new employer rate will also increase from 1% to 1.231%. Idaho has not yet released the wage base applicable to 2024.

Kentucky 2024 withholding tables

Kentucky released its [2024](#) withholding tax tables, which reflect a decreased tax rate of 4 percent, down from 4.5 percent in 2023. The standard deduction will increase from \$2,980 to \$3,160 in 2024.

Montana 2024 withholding guide

Montana has issued its 2024 [Employer and Information Agent Guide](#) to state income taxes to reflect changes to tax rules and rates, effective January 1, 2024. Updates include revised tax brackets, a reduction in the supplemental income tax rate to 5 percent, and the 30-day de minimis exception for nonresident income tax withholding. The state has also issued a new [Form MW-4](#), Employee's Withholding and Exemption Certificate, to reflect these changes.

Oregon 2024 unemployment insurance and family-leave insurance rates and wage base

Oregon's [2024](#) unemployment tax rates will be determined using "Schedule 3" of the statutory tables, which results in a range of unemployment tax rates from 0.9 percent to 5.4 percent. The tax rate for new employers will increase from 2.1 percent to 2.4 percent. The unemployment tax wage base will increase from \$50,900 to \$52,800.

Oregon's tax rate for family-leave insurance will stay constant at 1 percent, but the wage base will increase from \$132,900 to \$168,600 on January 1, 2024.

Pennsylvania 2024 unemployment insurance tax rates and wage base

Pennsylvania's [2024](#) contribution rate tables reflect the same employee tax rate (0.07 percent), taxable wages (\$10,000), and experience rate factors as 2023. Tax rates for experienced, nondelinquent employers range from 0.14190 percent to 10.3734 percent.

South Carolina 2024 unemployment insurance tax rates and wage base

South Carolina's 2024 unemployment tax rates will not increase for 2024, pursuant to a [statement](#) from Governor Henry McMaster. As in 2023, there will be no solvency surcharge, and the wage base will remain \$14,000.

South Carolina 2024 withholding formulas

South Carolina has [issued](#) new withholding formulas, effective January 1, 2024, to reflect the changes in tax brackets, the personal allowance (\$4,610), and the standard deduction (up to \$6,925).

Utah 2024 unemployment insurance tax rates and wage base

Utah's [2024](#) unemployment tax rates will not change from 2023 and will continue to range between 0.3 percent and 7.3 percent for nondelinquent employers, inclusive of the 0.3% social tax. The unemployment tax wage base will increase from \$44,800 to \$47,000.

Washington 2024 family leave insurance premium rate and wage base

Washington's family-leave insurance premium rate will decrease to 0.74 percent from 0.8 percent for [2024](#). Similar to 2023, covered employers with at least 50 employees will be responsible for 28.57 percent of the premium rate, with employees covering the remaining 71.43 percent. Employers with fewer than 50 employees are not required to pay the employer portion of the premium but must still withhold and remit the employee portion. The family-leave insurance wage base is indexed to the Social Security wage limit (\$168,600 in 2024).



Get to know one of our Employment Tax professionals: Yu Qin

Yu is a senior associate located in the Atlanta office with two years of experience in employment tax. She assists clients with notice resolution, corporate reorganization, and annual reporting compliance across federal, state, and local levels. Besides her professional life, Yu is an avid rock climber and enjoys skiing in winter.

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