Payroll Insights

Employment tax news to guide you now and for the future

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John's *fresh take*: IRS warns taxpayers to watch out for Dirty Dozen tax scams of 2025

It's tax filing season. Like clockwork, the Internal Revenue Service (IRS) has unveiled its 2025 Dirty Dozen scam list, highlighting common tax scams that pose risks to taxpayers, businesses, and tax professionals. These scams, ranging from email phishing to misleading tax credits, are prevalent during tax filing season but can occur year-round as fraudsters seek to steal money and personal data.

The Dirty Dozen is an educational campaign aimed at raising awareness about these threats, although it is not a legal document or enforcement priority list. Terry Lemons, IRS communications senior adviser, emphasized the relentless nature of scammers during tax season, warning of identity theft and misleading tax credit claims.

The IRS initiated the Dirty Dozen campaign in 2002 to counter emerging scams, collaborating with state tax agencies and the tax industry to protect taxpayers. The list often warns against tax-related identity theft, supporting efforts that have safeguarded millions of taxpayers and billions in refunds. In response to rising social media scams, the tax community launched the Coalition Against Scam and Scheme Threats (CASST). The 2025 Dirty Dozen list includes:

1. **Email phishing scams:** Fraudulent emails and texts impersonating the IRS or tax agencies aim to steal personal information. Taxpayers should avoid clicking on unsolicited communications.
2. **Bad social media advice:** Incorrect tax information on platforms like TikTok can mislead taxpayers, leading to identity theft and tax issues.
3. **IRS online account scams:** Scammers offer "help" to set up IRS accounts, seeking to steal personal information for fraudulent tax returns.
4. **Fake charities:** Scammers exploit crises to create bogus charities, seeking donations and personal data.
5. **False fuel tax credit claims:** Misleading promotions encourage taxpayers to incorrectly claim the fuel tax credit, intended for specific business uses.
6. **Credits for sick leave and family leave:** Incorrect claims using Form 7202 for credits not applicable beyond 2021.
7. **Bogus self-employment tax credit:** Nonexistent credits promoted on social media mislead taxpayers into false claims.

8. **Improper household employment taxes:** Fictional household employees used to claim false tax refunds.
9. **Overstated withholding scam:** False income and withholding claims on forms like W-2 and 1099 aim for large refunds.
10. **Misleading offers in compromise:** Aggressive promotion of offers in compromise to unqualified taxpayers, costing them money.
11. **Ghost tax return preparers:** Unscrupulous tax preparers who refuse to sign returns, indicating potential fraud.
12. **New client scams and spear phishing:** Cybercriminals impersonate clients to trick tax professionals into sharing sensitive information.

Taxpayers and professionals should remain vigilant against these scams, seeking trusted advice and avoiding suspicious communications.

Federal updates

IRS issues notice of alternative method of furnishing health insurance coverage statements

The IRS has issued Notice 2025-15 on an alternative method for providing health insurance coverage statements to individuals, as outlined in sections 6055(c)(3) and 6056(c)(3) of the Internal Revenue Code. This change, introduced by the Paperwork Burden Reduction Act, applies to statements for calendar years after 2023.

IRS Section 6055 requires providers of minimum essential coverage to file annual information returns with the IRS and furnish statements to covered individuals. Traditionally, these statements must be provided by January 31 of the following year, with a possible 30-day extension. IRS Section 6056 requires large employers to report health insurance offers to full-time employees and furnish similar statements by January 31, also with a 30-day extension.

Under the newly issued guidance, the alternative method allows entities to post a clear notice on their website, informing individuals that they can request a copy of their statement. This notice must be accessible and posted by the statement's due date, including any extensions. Upon request, statements must be furnished within 30 days or by January 31 of the following year, whichever is later, and can be issued electronically. This update applies to calendar years after 2023.

IRS updates reporting of golden parachute payment to Form 1099-NEC

The IRS has introduced changes to the reporting process for golden parachute payments, transitioning this responsibility to Form 1099-NEC. Previously reported in Box 14 of Form 1099-MISC, these payments will now be documented in Box 3 of the updated Form 1099-NEC, designated for nonemployee compensation.

The updated Form 1099-MISC, titled Miscellaneous Information, now has Box 14 reserved for future use, reflecting the shift in reporting practices. Employers and payroll professionals are advised to update their systems to accommodate these changes and ensure accurate reporting of golden parachute payments. These final form revisions, announced on March 12, carry an April 2025 revision date and will supersede the January 2024 versions. However, revised instructions for these forms have not yet been released.

IRS releases 2025 Form W-2 and W-3 General Instructions

The IRS released the 2025 General Instructions for Forms W-2 and W-3 on February 27.

A key update highlighted in the "What's New" section is that Form 15397, the Application for Extension of Time to Furnish Recipient Statements, can now be submitted to the IRS via fax. This form allows employers to request an extension of up to 30 days for distributing Form W-2 copies to employees. The instructions emphasize that the form must be faxed by the original deadline for providing forms to employees, extensions are not granted automatically, and typically, extensions of up to 15 days are approved unless a longer period is justified by the employer.

Furthermore, the IRS announced new revisions for the correction forms related to Forms W-2 and W-3. The updated Form W-2c, Corrected Wage and Tax Statement, and Form W-3c, Transmittal of Corrected Wage and Tax Statements, were released in June 2024. Notably, there are no changes to the layout of these forms compared to their previous versions

IRS updates employee retention credit FAQs

The IRS updated Employee Retention Credit (ERC) FAQs on March 20, 2025. Specifically, the revised and new FAQs permit taxpayers to apply the ERC to current-year returns (year of the credit or disallowance) rather than the income tax year to which the credit relates. In general, this is akin to a tax benefit rule simplifying the complex and costly process of amending prior returns.

In light of the amount involved, uncertainty, and delayed processing of claims, many taxpayers were reluctant to reduce income tax deductions for wage utilized to claim the ERC for fear the tax year would close before there was any certainty as to their ERC claim.

The FAQs clarify that taxpayers do not need to file amended returns to address ERCs received in a year subsequent to the original tax year but can include the amount in income in the year received. For example, a 2021 ERC claim received in 2024 can be included in gross income on the 2024 return rather than having to amend the taxpayer's 2021 return. Many will view this as a practical option and should consider the impact of these FAQs for both tax and accounting considerations.

State updates

Kentucky introduces new withholding tax portal

Starting March 14, 2025, employers will transition to using the new My Taxes Portal for filing withholding returns and making withholding payments, replacing the previous WRAPs system. The Department of Revenue has distributed emails containing login credentials and instructions for accessing My Taxes to all WRAPs users during the first week of March. To facilitate the transition to the new system, there will be a two-week pause from February 26, 2025 to March 14, 2025, during which employers will be unable to file returns or receive refund payments.

Maryland Department of Labor proposes delay of paid family and medical leave program

The Maryland Department of Labor (DOL) has announced a proposal to postpone the implementation of the state's paid family and medical leave (PFML) program once again. According to the new plan, payroll deductions would start on January 1, 2027, with benefits becoming available on January 1, 2028. Under the existing timeline, employer and employee contributions are set to begin on July 1, 2025, with benefits starting on January 1, 2026. However, the DOL has recommended a delay to this schedule.

For the proposed delays to take effect, new legislation must be drafted and passed. The bill would need approval from both the state House of Representatives and Senate, and it must be signed by the governor. The DOL cited the need to provide employers with additional time to comply with the new requirements as a reason for the delay. Additionally, the DOL is preparing for potential federal changes that could significantly impact Maryland's economy.

Michigan minimum wage increases

Michigan Senate Bill 8 increases the state minimum wage from $10.56 to $12.48 per hour as of February 21, 2025. The minimum wage will further increase to $13.73 in 2026 and reach $15 by 2027. Beginning in 2028, the minimum wage will be adjusted annually based on inflation, provided the state's unemployment rate for the previous year is below 8.5 percent.

According to the bill, tipped minimum wages will gradually increase over the next couple of years, which will reach 50 percent of the standard minimum wage by 2031. As of February 21, 2025, the tipped minimum wage must be 38 percent of the standard rate, approximately $4.75. By 2026, this rate will increase to 40 percent of the standard minimum wage, which is around $5.50.

Minnesota announces 2026 family-leave insurance premium rate

Minnesota Department of Employment and Economic Development announced the rate premiums for the state family-leave insurance program on February 21, 2025. The state program begins on January 1, 2026, with a premium rate of 0.88 percent, which is divided into a 0.61 percent medical leave premium and a 0.27 percent family leave premium, as detailed on the department’s calculator webpage. Employers are generally permitted to require employees to contribute up to half of the premium rate, which amounts to 0.44 percent.

Small employers, defined as those with 30 or fewer employees, may qualify for a reduced rate of 75 percent of the standard rate, equating to 0.66 percent. These small employers would be responsible for 25 percent of the regular premium rate, or 0.22 percent, and could deduct the remaining 0.44 percent from their employees' wages.

The premium rate in Minnesota will be applicable to employee wages up to the federal Social Security taxable wage base for 2026. For reference, the taxable wage base for 2025 is currently set at $176,100.

Nevada daily overtime guidance issued

The Nevada labor commissioner has released an advisory opinion regarding the application of daily overtime for employees who typically work four 10-hour shifts. According to the opinion, the obligation for an employer to pay daily overtime hinges on the employer's control over any changes to the employee's schedule. If an employee consistently follows a schedule of four 10-hour shifts without any alterations, then the employer is not required to pay daily overtime.

North Carolina House passes employer tax credit for unemployment insurance payments

The North Carolina House of Representatives has approved House Bill 48, which introduces a tax credit for employers based on their Unemployment Insurance (UI) tax contributions. Businesses that paid taxable wages in the fourth quarter of 2024 may qualify for a tax credit equivalent to their UI tax payment made by January 31, 2025. This credit will be applied to the UI tax payment due on April 30, 2025. If the credit surpasses the tax liability, then the excess amount will be refunded.

In addition to tax relief, House Bill 48 raises the maximum weekly UI benefit from $350 to $450. Claimants will receive benefits based on their earnings from the last two calculated quarters, with payments amounting to half of their average weekly wages during that period. The bill is now set to be reviewed by the Senate, and if it passes then employers may experience substantial tax relief on their UI tax payments for the fourth quarter of 2024.

Contact us

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

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

Samantha-Jo Marciliano
Managing Director, Employment Tax
T: 212-954-3841
E: smarciliano@kpmg.com

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

Reagan Aikins
Managing Director, Employment Tax
T: 703-286-6596
E: raikins@kpmg.com

Jon Stone
Managing Director, Employment Tax
T: 408-367-1983
E: jwstone@kpmg.com