

OURERC A LOCAL BUSINESS NEWSLETTER

Powered by Employer's Resources of Colorado

NEW YEAR & NEW LAWS

IN THIS ISSUE

- Colorado W-4 Worksheets
- Payroll Deductions
- Colorado Minimum Wage
- New Overtime Law 2020
- Colorado Vacation Policy
- Leap Year Payroll

NEW COLORADO W-4 WORKSHEETS

According to Colorado Department of Revenue, there is a new W-4 worksheet for employees.

Colorado income tax withholding is based on information reported by employees on the Employee's Withholding Certificate, IRS Form W-4. There is no separate Colorado withholding certificate. The IRS made significant changes to Form W-4, which take effect January 1, 2020.

Any employee who commences employment on or after January 1, 2020 must complete the new 2020 IRS Form W-4. For any employee who has completed a 2020 IRS Form W-4, the employer must calculate the required Colorado wage withholding using the worksheet appearing below.

With respect to any employee employed prior to January 1, 2020, who completed a 2019 or prior IRS Form W-4, and for whom the employer previously withheld Colorado income taxes, the employer may elect to use one of three prescribed methods for calculating the required withholding amounts. In such case, the employer may calculate the required withholding by using:

1. the worksheet appearing below;
2. the withholding tables published previously by the Department in the Colorado Income Tax Withholding Tables For Employers (DR 1098); or
3. the percentage method published previously by the Department in the Colorado Income Tax Withholding Tables For Employers (DR 1098)

In August, the IRS posted FAQs about the changes incorporated in the revised form. These are the key points employers should note, the IRS said when the final version of the 2020 Form W-4 was released:

** All new employees hired as of Jan. 1, 2020, must complete the new form.
 ** Current employees are not required to complete a new form but can choose to adjust their withholding based on the new form.

** Any adjustments made after Jan. 1, 2020, must be made using the new form.

** Employers can still compute withholding based on information from employees' most recently submitted Form W-4 if employees choose not to adjust their withholding using the revised form.

** A new Publication 15-T, Federal Income Tax Withholding Methods, to be released in mid-December for use with the new 2020 Form W-4, will include steps employers can take to determine federal withholding.

The IRS updated the W-4 form to reflect tax code changes ushered in by the Tax Cuts and Jobs Act, which took effect last year. Unlike the 2019 Form W-4, the revised form excludes withholding allowances, which were tied to the personal exemption amount—\$4,050 for 2017—and are now suspended (hence the form's name change from Employee's Withholding Allowance Certificate). It also replaces complicated worksheets with more straightforward questions

If any ERC partners or employees have questions regarding this information, please contact our office. This information is vital for proper tax filings.



IMPORTANT REMINDER—Payroll deductions

Welcome to 2020! At the beginning of the year, we have new benefits, new taxes and pay changes.

Please take an extra minute to double check your paystub. You will want to ensure your deductions are correct for your benefits, FSA, HSA, retirement accounts and Holiday Savings account.

If the correct amount is not being deducted, or if you have questions about your deduction, please call Employer's Resources of Colorado.

NEW COLORADO MINIMUM WAGE

2020 Colorado State Minimum Wage, with the passage of [Amendment 70](#), effective January 1, 2020, Colorado's minimum wage will increase to \$12 per hour. Colorado defines a [full time employee](#) for the purpose of the exemption described in section 5 (b) of this Wage Order, a full time employee is one who performs work for the benefit of an employer for a minimum of 32 hours per work week.

Thereafter it will be adjusted annually for cost of living increases, as measured by the Consumer Price Index used for Colorado. This minimum wage shall be paid to employees who receive the state or federal minimum wage. No more than \$3.02 per hour in tip income may be used to offset the minimum wage of employees who regularly receive tips.

If an employee's tips combined with the employer's cash wage of at least \$8.08 per hour do not equal the minimum hourly wage, the employer must make up the difference in cash wages. If you have questions concerning your employee's wages, please reach out to ERC HR for assistance.

EFFECTIVE DATE	MINIMUM WAGE	TIPPED EMPLOYEE MINIMUM WAGE
January 1, 2020	\$12.00	\$8.98



Remember employees are covered in two ways;

1. The employee is covered by the minimum wage provisions of Colorado Minimum Wage Order Number 35.
2. The employee is covered by the minimum wage provisions of the Fair Labor Standards Act.

Regular Rate of Pay: the regular rate of pay actually paid to employees for a standard, non-overtime workweek.

The regular rate of pay shall include all compensation paid to employees including the set hourly rate, shift differential, minimum wage tip credit, non-discretionary bonuses, production bonuses, and commissions used for the purpose of calculating the overtime hourly rate for non-exempt employees. Business expenses, bonafide gifts, discretionary bonuses, employer investment contributions, vacation pay, holiday pay, sick leave, jury duty, or other pay for non-work hours may be excluded from the regular rate of pay.

Tipped Employee: any employee engaged in an occupation in which he or she customarily and regularly receives more than \$30.00 a month in tips. Tips include amounts designated as a "tip" by credit card customers on their charge slips. Nothing herein contained shall prevent an employer covered hereby from requiring employees to share or allocate such tips or gratuities on a pre-established basis among other employees of said business who customarily and regularly receive tips. Employer-required sharing of tips with employees who do not customarily and regularly receive tips, such as management or food preparers, or deduction of credit card processing fees from tipped employees, shall nullify allowable tip credits towards the minimum wage authorized in section 3(c).

NEW OVERTIME LAW FOR 2020

To be exempt from overtime under the Fair Labor Standards Act's (FLSA's) white-collar exemptions, employees must be paid a salary of at least the threshold amount and meet certain duties tests.

If they are paid less or do not meet the tests, they must be paid 1.5 times their regular hourly rate for hours worked in excess of 40 in a

workweek.

The new rule will raise the salary threshold to \$684 a week (\$35,568 annualized) from \$455 a week (\$23,660 annualized).

Nondiscretionary bonuses and incentive payments, including commissions, paid on an annual or more frequent basis may be used to satisfy up to 10 percent of the standard salary level.

The U.S. Department of Labor said the rule will make about 1.3 million workers newly eligible for overtime pay.

In addition to raising the salary cutoff for exempt workers, the new rule raises the threshold for highly compensated employees from \$100,000 a year to \$107,432, of which \$684 must be paid weekly on a

salary or fee basis.

Employers should note that cities and states can set higher exempt salary thresholds, and those rates may be rising in 2020, too. Information provided from SHRM.org.

Please contact ERC with questions as this may impact your employees.

Vacation Policy for 2020

Colorado wage law does not require that vacation time be given. Colorado wage law does not require paid vacation and does not require that an employer establish a vacation policy.

Vacation Policy

An employer may establish a vacation policy in writing or by custom and practice. Employees must be made aware of the employer's policy. Employers and employees must follow established policy unless and until that policy is changed. The Division recommends that employers develop their vacation policy in consultation with legal counsel.



Vacation as Wages or Compensation

Colorado wage law provides that vacation pay, earned in accordance with the terms of any agreement, is classified as wages or compensation. If an employer provides paid vacation for an employee, the employer shall pay upon separation from employment all vacation pay earned and determinable in accordance with the terms of any agreement between the employer and the employee.

Granting of Vacation Leave

In general, the granting of vacation leave by an employer for a current employee is made pursuant to the employer's policy. The Division of Labor Standards and Statistics does not intervene in disputes involving the scheduling of vacation leave or the denial of use of vacation leave for current employees.

Have Questions? We are here to help!
Want to see specific topics covered in the monthly newsletters? Let us know.

LEAP YEAR PAYROLL FOR 2020

SHRM.Org addresses the topic of leap year for all companies with payroll in 2020. While February typically has 28 days, in leap years—such as the forthcoming 2020—it sprouts a 29th. That can be a headache for HR and payroll professionals—resulting in an extra payday in the calendar year, depending on when and how employees are paid. Please work with your payroll specialist to see if this affects your payroll.

The problem of an extra pay period isn't exclusive to leap years. However, it's during leap years that many employers encounter an extra pay period.

For 2020, "whether there will be an extra pay period and paycheck date depends on how the employer has directed that payroll be processed," said Mike Trabold, director of compliance at payroll firm Paychex.

Even in years without an extra day in February, there is the potential for additional paydays if the payroll is weekly or biweekly (every other week) "simply because 365 days do not divide evenly into the seven days of the week," Trabold said.

In any year with 365 days, there will be six days of the week that occur 52 times and one day of the week that occurs 53 times, he explained. In a leap year, with 366 days, there will be five days of the week that occur 52 times and two days of the week that occur 53 times.

If you have questions about the impact of leap year for your company please contact your ERC HR specialist. Your payroll specialist are prepared to help with this extra payroll and have devised a plan for your company. We are here to help.



@ERCcolorado



@ERC Colorado



@ERC Colorado



@ERCcolorado