

OURERC A LOCAL BUSINESS NEWSLETTER

Powered by Employer's Resources of Colorado

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IMPORTANT

Address changes must be submitted no later than December 31st for them to reflect on 2020 W-2s. W-2s will be available online for your convenience.

END OF YEAR REMINDERS

- ⇒ If you'd like End of Quarter or End of Year reports please notify your Payroll Specialist so they may work on them as soon as the year has closed.
- ⇒ Update addresses by December 31st to help ensure W-2 delivery.
- ⇒ Notify your payroll specialist of any adjustments or additional pay to be added to end of year wages.
- ⇒ Submit all bonuses a minimum of 3 days in advance for processing.
- ⇒ Open Enrollment for the 2021 benefits year has concluded. No benefit changes will be able to be made unless there is a qualifying life event. Benefit plans for the upcoming year will commence on January 1, 2021.
- ⇒ All FSA/DCA/HSA accounts must be enrolled in annually as is required by the IRS - *these do not roll over.*
- ⇒ Please review the bonus check procedures on page 3. ERC will not be able to backdate any checks.



Christmas Closing

December 24th and 25th

ERC will be closing at 12pm on Thursday, December 24th and closed all day on Friday, December 25th. We will resume regular operating hours on Monday, December 28th.



New Year Closings

December 31st and January 1st

ERC will be closing at 12pm on Thursday, December 31st and closed all day on Friday, January 1st. We will resume regular operating hours on Monday, January 4th.



2021 401 (K) CONTRIBUTIONS

The **401(K)** contributions for 2021 will top off at the same amount as 2020. The maximum contribution is \$19,500 with an additional \$6,500 in catch-up contribution allowed for individuals turning age 50 or older. The change for 2021 is the maximum contributions from all sources will rise by \$1,000. All sources includes employer and employee.

What does this mean for you?

According to Fidelity Investments, employees' average 401(k) contribution rate [remained steady at 8.9 percent of their pay during the first quarter of 2020](#), despite significant market volatility due to the pandemic and economic downturn.

Those who have not been contributing enough per paycheck to reach the annual cap and who can afford to do so can increase their contributions before the end of the year so that they reach the full annual limit, [according to SHRM](#).

Sponsors of defined benefit pension plans should note that the IRS announced the following cost-of-living

adjustments under tax code Section 415, also taking effect on Jan. 1:

- **Annual benefit limit.** The maximum annual benefit that may be provided through a defined benefit plan remained unchanged at \$230,000.
- **Separation from service.** For a participant who separated from service before Jan. 1, 2021, the annual benefit limit for defined benefit plans is computed by multiplying the participant's compensation limit, as adjusted through 2020, by **1.0122**. This is a slight decrease from the previous year, when the participant's compensation limit, as adjusted through 2019, was multiplied by 1.0176.



NAVIGATING BONUSES

It is almost bonus time for many employers and that means navigating the differences between discretionary and non-discretionary bonuses.

A discretionary bonus means that the bonus is not tied to anything contractual—it is given solely at the discretion of the employer; the amount, the requirements, and the timing are not disclosed in advance. To determine what the tax liability is for discretionary bonuses, contact your payroll specialist for an accurate calculation.

A non-discretionary bonus can be thought of as an incentive payment. It is a bonus that is tied directly to a contractual agreement or is related to work completed. This kind of bonus must be taken into account for overtime and is

required to be taxed at the W-4 rate.

ALL BONUSES ARE SUBJECT TO FEDERAL TAXES.

If you are concerned about bonus amounts for employees, please contact your payroll specialist to help you accurately calculate the tax rate and take home amounts. If you would like to ensure that your employees receive a specific amount of 'take-home' bonus pay, your payroll specialist can also assist you in determining the total pre-tax amount that should be paid.

For more information check out this website:

<https://hrdailyadvisor.blr.com/2013/07/10/discretionary-versus-non-discretionary-incentive-pay-and-bonuses/>

W-2 ADJUSTMENTS

If you or any employees have any non-cash income, any fringe benefit income that needs to be reported on a W-2, or any

adjustments—moving expenses, employer paid parking, third party sick pay, company vehicles, service awards, gifts to be taxed or qualified transportation fringe

benefits—please notify your payroll specialist as soon as possible to ensure they are reported properly.

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

NAME CHANGES AND I-9 COMPLIANCE

NAME CHANGE? DON'T FORGET THIS IMPORTANT STEP!

Any time there is a legal name change, the employee should present their identification documents with their new name (either

from List A or List C depending on original documents presented) to their employer so the employer may reverify the documents and complete Section 3 of the I-9 as per USCIS guidance.

If an employee has changed their name and *not* presented their new identification, please have them contact ERC HR Department to get this step completed and stay within USCIS compliance.

For full details on I-9 compliance in the event of reverification and rehires, please visit the USCIS website: <https://www.uscis.gov/i-9-central/complete-correct-form-i-9/completing-section-3-reverification-and-rehires>

W2 / 1095 TAX INFORMATION

Want to access your tax information online? Insure you will receive all of your tax information on time and online.

ERC allows you to access your W2 / 1095 information online. For the full directions please visit the forms section of the ERC Website.

In summary, visit <https://ew2online.w2copy.net> then you will need to create an account online. That account will give you access to all of your necessary paperless tax document. This information will also be available on DNET. Please contact ERC with questions.

2020 401(K) & 403(B) PLANS

If an employee has both a 401(k) and 403(b) retirement plan, whether from the same or different employers, their combined contributions to both plans together are capped at \$19,500 next year plus the \$6,500 catch-up contribution for participants who are age 50 or older, while employer-plus-employee contributions top off at \$58,000 for both plans combined.

The IRS allows participants who contribute to a 403(b) plan and a 457 plan can contribute to each separately up to each plan's annual limit.

EXEMPT W-4 STATUS EMPLOYEES

For most people, W-4 elections will roll over from year-to-year unless the employee completes a new form with different deductions. However, for those employees who claim "Exempt" on their W-4, they are required to complete a new form every year. If they fail to complete new forms, the IRS requires employers to automatically default their filing status to "Single and 0" **which is the highest tax deduction possible.**

Please inform your employees of this requirement and contact your payroll specialist if you have any questions or need further details.

BONUS CHECK PROCEDURES

In an effort to streamline the distribution of bonus checks, we ask that you provide us adequate time to process these funds and calculate the individual checks correctly.

Please allow us a minimum of three business days prior to the check date to process all bonus checks in order to engage in an error free process.

Please keep in mind that if you intend bonus checks to be reflected on 2020 taxes, the checks must be processed and dated with a 2020 date; **we cannot backdate a check.**

If you plan to distribute bonus funds without processing them through ERC, we cannot process them for tax purposes.

