



Bormel, Grice & Huyett, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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December 17, 2018

Attention: Payroll Return Preparer

Dear Payroll Return Preparer:

As the year draws to a close and 2019 begins, we would like to provide you with reminders regarding the annual filing of Form W-2 - Wage and Tax Statement (see attached).

The following items, when applicable, must be included in each employee's W-2:

1. The cost of moving expenses and expense reimbursements is no longer excluded from wages (exception for members of the U.S. Armed Forces). Costs should be included in boxes 1, 3, 5 and 16.
2. The cost of group term life insurance coverage in excess of \$50,000, reduced by any amount paid by the employee toward the coverage. The cost should be computed using the applicable federal table (see table attached). This amount is subject to payroll taxes, including FICA withholding if the employee is not over the 2018 FICA limit (limits for the social security portion on FICA wages is \$128,400; the wages subject to Medicare are unlimited). The cost of the coverage in excess of \$50,000 should be shown in box 12 of form W-2 using code C as well as included in the amounts of boxes 1, 3, 5 and 16.
3. The value of any personal use, including commuting to and from work, of an employer's provided vehicle. The inclusion amount is determined using the IRS published annual lease values for an employee and stockholder (see attached table and worksheet). If fuel is also provided, an additional 5.5 cents per personal mile is included. For non-stockholder employees the value may be determined at \$3.00 per day if the only personal use is commuting. These amounts are subject to payroll taxes, including FICA withholdings, for employees not over the 2018 FICA limit, and Medicare withholdings. You should also have a written policy concerning the above.
4. Any discriminating employee benefits should be included in employee compensation and reported on the employee's W-2.
5. Employers providing pension, profit sharing, and 401(k) plans should complete the appropriate boxes and report elective deferrals on the W-2.
 - a. If the elective deferral is a before-tax contribution, the deferral should not be included in wages (boxes 1 and 16) but should be included in FICA/Medicare wages (boxes 3 and 5). The retirement plan in box 13 should be checked if the employee was an active participant for all or part of the year and the deferred compensation should be shown in box 12 of form W-2 using codes D, E, F, G, H, or S if the employee has made an elective deferral.
 - b. If the elective deferral is an after-tax contribution (i.e. Roth), the deferral should be included in boxes 1, 3, 5 and 16. The retirement plan in box 13 should be checked if the employee was an active participant for all or part of the year and the deferred compensation should be shown in box 12 of form W-2 using codes AA, BB, or EE if the employee has made an elective deferral.
6. Accident and health insurance benefits paid by an S Corporation on behalf of a more-than-two-percent stockholder are deductible by the S Corporation as compensation and the premium cost should be included in the W-2 compensation of the stockholder, in boxes 1 and 16 only, and the amount may also be reported in Box 14. Payroll preparers of S Corporations need to determine the cost of medical insurance premiums made on behalf of more-than-two-percent stockholders and the applicable payroll taxes prior to preparing the final 2018 payroll and fourth quarter payroll tax returns and W-2s.

Members

7. Total amount of permitted benefits under a qualified small employer health reimbursement arrangement (QSEHRA). QSEHRAs allow eligible employers to pay or reimburse medical care expenses of eligible employees. The maximum reimbursement is \$5,050 (\$10,250 if the arrangement also provides reimbursements for family members). Report these amounts in box 12 with a code of FF.
8. A Section 125 plan, cafeteria plan, flex plan, or a flexible spending account lets employees set aside a certain amount of each paycheck into an account on a pre-tax basis. This reduces your taxable payroll by reducing your employee's taxable income. This amount is not subject to payroll taxes, including FICA/Medicare, Federal, and State unemployment taxes for employers. Employees do not pay FICA/Medicare, Federal, or where applicable, State or local taxes. The amount set aside from the employee's pay is not reflected in W-2 wages. However, if the employee has dependent care, this amount should be shown in box 10.
9. You must report all employer contributions and employee contributions through a Section 125 plan to an HSA in box 12 of Form W-2 with code W.

Should you need assistance with these items please feel free to call your Bormel, Grice & Huyett, P.A. representatives.

We would also like to make you aware of the following payroll tax procedures in effect for calendar year 2019:

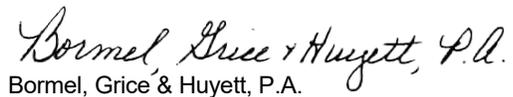
1. The social security tax rates are 6.2% for employers and employees for wages up to \$132,900 paid in 2019. The maximum withholding for social security for employees at the above rate is \$8,239.80.
2. The Medicare tax rates will remain at 1.45% for employers. Tax rates for employees will be 1.45% for employees up to \$200,000 in wages, then an additional .9% on wages in excess of \$200,000.
3. The annual deferred limit for 401(k) plans for 2019 is \$19,000. Employee's age 50 or older may make an additional \$6,000 catch-up contribution.
4. At the time of this letter, the maximum amount of wages subject to Federal unemployment tax is \$7,000 for 2019, with the FUTA tax rate after the state credit at 0.6%. The maximum amount of wages subject to Maryland unemployment tax remains at \$8,500 for 2019. If you need other state unemployment maximum wage amounts, please contact us.
5. The Caroline County local income tax rate for 2019 will increase to 3.20%, up from 2.73% in 2018. All other Maryland county local income tax rates will remain the same as in 2018.
6. For 2019, the unemployment tax rate range for employers based in the State of Maryland will range from .3% to 7.5%. Employers will be notified of their 2019 rate in mid-January.
7. The standard mileage rate for business use of an automobile for 2019 will be 58 cents and for use for medical or moving, 20 cents per mile. The rate for the charitable use of an automobile remains at 14 cents per mile.

Additional information is as follows:

1. In June of 2018, the IRS released a draft of the 2019 Form W-4. In response to comments received from stakeholders, the IRS announced that the release of the redesigned form would be postponed until 2020. Accordingly, instead of using the draft 2019 Form W-4 previously released in June, the IRS will release a 2019 Form W-4 before the end of 2018 that will have minimal changes to the 2018 version.
2. Starting in August of 2018, the Social Security Administration (SSA) began mailing Employer Correction Request Notices (EDCOR) to employers submitting Forms W-2 containing employee names and Social Security numbers that do not match SSA's records. Employers may verify that employee names and SSNs are accurate by using SSA's online Social Security Number Verification Service at <https://www.ssa.gov/employer/ssnv.htm>.
3. Employers with at least 50 full-time employees and equivalents (and those employers who are a part of a controlled group with at least 50 full-time employees and equivalents in the aggregate) continue to have reporting requirements for 2019 related to the Affordable Care Act (ACA).

Have a safe and happy holiday and should you have questions concerning the above, please call us.

Sincerely,


Bormel, Grice & Huyett, P.A.

Void <input type="checkbox"/>		a Employee's social security number		OMB No. 1545-0008	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld	
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld	
		5 Medicare wages and tips		6 Medicare tax withheld	
		7 Social security tips		8 Allocated tips	
d Control number		9 Verification code		10 Dependent care benefits	
e Employee's first name and initial Last name Suff.		11 Nonqualified plans		12a See instructions for box 12 C o d e	
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b C o d e	
		14 Other		12c C o d e	
				12d C o d e	
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
					20 Locality name

Form **W-2** Wage and Tax Statement
 Copy D – For Employer

2018

Department of the Treasury—Internal Revenue Service
 For Privacy Act and Paperwork Reduction Act Notice, see separate instructions.

**Cost Per Thousand Dollars of Coverage of Group-Term
Life Insurance Over \$50,000 Paid by the Employer**

Age Bracket **Cost Per \$1,000 of Protection for 1 Month**

Under 25	.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
70 and older	2.06

**EMPLOYER'S WORKSHEET TO CALCULATE EMPLOYEE'S
TAXABLE INCOME RESULTING FROM
EMPLOYER-PROVIDED VEHICLE**

EMPLOYEE'S NAME:

GENERAL METHOD:

Fair market value of vehicle at date first available for personal use. (Value must be determined at the beginning of every fifth year.)		\$	_____
Annual lease value – chart	(A)	\$	_____
Personal use %			
Total miles _____ Business miles(_____)			
Personal miles			
Personal / total miles	(B)		_____ %
* Personal value of annual lease	(A) x (B) >	(C)	\$ _____
If employer provides fuel, multiply the number of personal miles driven by 5.5 cents per mile.		(D)	\$ _____
Total employee taxable income	(C) + (D) >	\$	_____

* If used less than entire year, multiply this amount by fraction which is number of days available divided by 365. A minimum of 30 days personal use must be assumed or a daily rate (4 times the regular rate) applied.

ANNUAL LEASE VALUE TABLE

<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>	<u>AUTOMOBILE FAIR MARKET VALUE</u>	<u>ANNUAL LEASE VALUE</u>
\$ 0 – 999	600	\$ 22,000 – 22,999	6,100
1,000 – 1,999	850	23,000 – 23,999	6,350
2,000 – 2,999	1,100	24,000 – 24,999	6,600
3,000 – 3,999	1,350	25,000 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	28,000 – 29,999	7,750
6,000 – 6,999	2,100	30,000 – 31,999	8,250
7,000 – 7,999	2,350	32,000 – 33,999	8,750
8,000 – 8,999	2,600	34,000 – 35,999	9,250
9,000 – 9,999	2,850	36,000 – 37,999	9,750
10,000 – 10,999	3,100	38,000 – 39,999	10,250
11,000 – 11,999	3,350	40,000 – 41,999	10,750
12,000 – 12,999	3,600	42,000 – 43,999	11,250
13,000 – 13,999	3,850	44,000 – 45,999	11,750
14,000 – 14,999	4,100	46,000 – 47,999	12,250
15,000 – 15,999	4,350	48,000 – 49,999	12,750
16,000 – 16,999	4,600	50,000 – 51,999	13,250
17,000 – 17,999	4,850	52,000 – 53,999	13,750
18,000 – 18,999	5,100	54,000 – 55,999	14,250
19,000 – 19,999	5,350	56,000 – 57,999	14,750
20,000 – 20,999	5,600	58,000 – 59,999	15,250
21,000 – 21,999	5,850		

For vehicles having a fair market value in excess of \$59,999, the Annual Lease Value is equal to:

(.25 x automobile fair market value) + \$500.

NOTE: Car should be revalued every 4 years.