



Route To:	
<input type="checkbox"/> Partners	<input type="checkbox"/> Staff
<input type="checkbox"/> Managers	<input type="checkbox"/> File

LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Payroll Tax Deskbook

27th Edition (October 2020)

Highlights of this Edition

The following are some of the important new features of the 2020 Edition of *PPC's Payroll Tax Deskbook*:

- **COVID-19 Pandemic Guidance.** This edition has the most recent guidance regarding payroll tax reporting for credits and other relief provided to employers during the COVID-19 pandemic. Numerous forms have been substantially revised for 2020 reporting, and line-by-line guidance has been provided to guide the employer through completing the forms.
- **New Form W-4.** Form W-4 has been substantially revised and the IRS has issued regulations and other guidance regarding the redesigned form. This edition has the latest IRS guidance, including information on new procedures employers can begin using in 2021 to lessen their burden in calculating FITW based on Forms W-4 provided before 2020.
- **Payment of Deferred Social Security Taxes.** Employer social security taxes that were deferred during 2020 must be partially deposited/paid in 2021. Additionally, if employers deferred the employee portion of social security taxes, those taxes must be collected from the employees and deposited before April 30, 2021. Guidance on how employers deposit and pay the deferred taxes is included in this edition.

In addition to these featured items, your *Deskbook* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Basic Principles of Employer Liability	<ol style="list-style-type: none"> 1. Information on Form I-9 processing changes due to the COVID-19 pandemic have been added in this key issue. 2. A caution has been added in this update to remind employers that employees who were laid-off or furloughed during the COVID-19 pandemic may have to be treated as new employees when they return to work, and complete a new Form I-9 under certain conditions. 	<p>Key Issue 2A</p> <p>Key Issue 2C</p>
CHAPTER 3 Employee-sharing between Business Affiliates	<ol style="list-style-type: none"> 1. This update includes a warning that employers involved in a merger or acquisition transaction should verify that the other party does not have any liability for prior years under IRC Sec. 4980H for not providing adequate health care benefits to its full-time employees. 	Key Issue 3A

CHAPTER 4 Employee Leasing and Third-party Service Providers	1. Guidance on how a CPEO deals with payroll tax credits for certain wages paid during the COVID-19 pandemic and the deferral of the employer portion of social security taxes has been added in this key issue.	Key Issue 4D
CHAPTER 6 Common Law Control Rules	1. A discussion on a recent case in which the Tax Court disagreed with the IRS on whether workers were employees based on the exercise-of-control factor has been added in this update.	Key Issue 6A
CHAPTER 9 Special Classes of Exempt Employment	1. This edition includes a discussion on paying and reporting employee wages when spouses operate a business as a qualified joint venture. 2. The IRS has reversed a long-standing position on how to handle FICA taxes for employees covered under a Section 218 Agreement when Section 530 relief applies. A discussion on the CCA explaining the new position has been added in this edition. 3. A discussion has been added in this edition explaining when a gift to a minister should be included in the minister's taxable income.	Key Issue 9C Key Issue 9E Key Issue 9E
CHAPTER 10 Basic Principles of Compensation and Fringe Benefits	1. Guidance on how to help employees during the COVID-19 pandemic by using a leave-sharing program or providing disaster relief payments has been added in this update. 2. This update includes a discussion on recently issued proposed regulations that modify and build on prior guidance concerning the limitation of an employer's tax deduction for qualified transportation benefits.	Key Issue 10E Key Issue 10N
CHAPTER 11 Cafeteria Plans, and Dependent Care, Educational, and Adoption Assistance	1. Guidance on midyear changes that could be made to health FSAs and dependent care FSAs due to the COVID-19 pandemic have been included in this edition. 2. The carryover amount for a health FSA is increased for 2020 and will be inflation-adjusted in subsequent years. A discussion on these changes has been added in this edition. 3. Due to the COVID-19 pandemic, the IRS has extended the grace period for using amounts remaining in a health FSA for plan years that end during 2020. This edition includes a discussion on this change.	Key Issue 11B Key Issue 11B Key Issue 11B
CHAPTER 12 Health Insurance, Life Insurance, and Retirement Plans	1. The discussion on HRAs integrated with employer-sponsored health insurance has been enhanced, and a new discussion has been added in this edition providing guidance on offering HRAs integrated with individual health insurance coverage (IHRAs).	Key Issue 12B

	2. This edition includes a new discussion of the treatment of whole-life Insurance premiums paid by an employer.	Key Issue 12I
CHAPTER 13 Expense Reimbursement Plans	1. The IRS has issued final regulations regarding food and beverage expenses and certain entertainment expenses. This edition has been updated for the final regulations.	Throughout chapter
	2. Certain entertainment expenses remain deductible. A discussion on those expenses are included in this update.	Key Issue 13A
	3. This edition includes guidance on when an employer can deduct certain commuting expenses when they are incurred for the safety of the employee.	Key Issue 13G
	4. This key issue includes the updated per diem rates for business travel on or after October 1, 2020.	Key Issue 13K
CHAPTER 14 Form W-4 (Employee's Withholding Certificate)	1. The IRS has issued final regulations regarding federal income tax withholding that change the definition of the term <i>withholding allowance</i> for tax years beginning after 2019. This new guidance is included in this edition.	Key Issue 14A
	2. This edition includes a discussion on handling incorrectly completed Forms W-4.	Key Issue 14A
	3. Guidance on when a nonresident alien may be exempt from FITW is included in this update.	Key Issue 14A
	4. Guidance from final regulations on how an employee selects the correct filing status to use when completing Form W-4 has been added in this key issue.	Key Issue 14B
	5. Nonresident aliens must complete Form W-4 using special rules. Those rules are discussed in this update.	Key Issue 14B
	6. Due to the substantial changes to the Form W-4 beginning in 2020, many employers have had to maintain two separate withholding systems, one for Forms W-4 provided before 2020 and another for Forms W-4 provided in 2020. The IRS has issued final regulations that provide optional computational bridge entries that allow employers to use the procedures and data fields for the redesigned Form W-4 to calculate FITW for employees who submitted Forms W-4 before 2020. These new rules are discussed in this edition.	Key Issue 14C
	7. This edition includes a discussion on the redesigned Withholding Compliance Letters 2800C and 2808C.	Key Issue 14D
	8. The discussion on when an employee should update Form W-4 has been enhanced with new guidance from the final regulations.	Key Issue 14E
	9. This update has a discussion on the final regulations that apply to FITW on periodic payments made after 2020.	Key Issue 14F

	10. Guidance on the default rate for FITW on periodic payments when a Form W-4P is not provided is included in this key issue.	Key Issue 14F
CHAPTER 15 Regular Payroll Withholding	1. The examples for alternate methods of income tax withholding have been updated to reflect new procedures for the redesigned Form W-4.	Key Issue 15B
CHAPTER 17 Tax Deposit Rules— FITW and FICA	1. Employers that deferred the employer portion of social security tax for wages paid during the period March 27–December 31, 2020, must deposit and pay the deferred amounts during 2021 and 2022. This edition provides guidance on the repayment requirements.	Key Issue 17A
	2. Employers were allowed to defer the employee portion of social security tax for wages paid during the period September 1–December 31, 2020. The deferred taxes must be deposited by April 30, 2021. Guidance on the deposit and payment procedures have been included in this edition.	Key Issue 17A
	3. Guidance on how the COVID-19 payroll tax credits affect the determination of whether an employer accumulated \$100,000 or more of undeposited payroll taxes has been added in this key issue.	Key Issue 17C
CHAPTER 18 Employment Tax Credits	1. Due to the COVID-19 pandemic, employers were given extra time to file Form 8850 for employees for whom the employer can take a work opportunity tax credit. Information on this postponement is included in this update.	Key Issue 18A
	2. The most recent guidance from the DOL regarding an employer's responsibility to pay emergency sick leave wages and expanded family leave wages are discussed in these key issues.	Key Issues 18G and 18H
	3. Guidance has been added in this edition from the updated IRS frequently asked questions on the employee retention credit, including information on what is considered a government order that may cause full or partial suspension of operations, the definition of gross receipts, and amounts that are included when determining qualified wages.	Key Issue 18I
	4. This update includes information on two IRS letters that employers filing Form 7200 may receive and guidance on how to respond to the letters.	Key Issue 18J
	5. IRS has provided guidance on how reporting agents can file Form 7200 on behalf of certain employers. This edition includes a discussion on the IRS guidance.	Key Issue 18J

<p>CHAPTER 19 Schedule H (Household Employment Taxes) of Form 1040</p>	<p>1. Schedule H was substantially revised for 2020. This key issue provides guidance on the completing the revised form.</p>	<p>Key Issue 19E</p>
<p>CHAPTER 20 Form 941 (Employer's Quarterly Federal Tax Return)</p>	<p>1. This update includes the most recent information on Form 941 reporting during for COVID-19 relief provisions.</p> <p>2. Guidance on due diligence procedures that should be followed during a merger or acquisition regarding payroll tax liabilities has been added in this edition.</p> <p>3. The 2020 Form 941 was substantially revised in July 2020 and again in September 2020. This update includes guidance on completing the revised form.</p> <p>4. Schedule B (Form 941) was substantially revised for 2020 reporting. This key issue provides guidance on completing the revised form.</p> <p>5. A discussion has been added in this edition on reporting payroll taxes from a Section 3121(q) notice and demand on Schedule B (Form 941).</p> <p>6. Schedule R (Form 941) was substantially revised in June 2020. Guidance on completing the revised form is provided in this edition.</p> <p>7. The discussion on reporting nonqualified deferred compensation on Form 941 was moved to this new key issue.</p> <p>8. Form 941-X was substantially revised for 2020. This key issue has guidance on completing the revised form.</p>	<p>Key Issue 20A</p> <p>Key Issue 20A</p> <p>Key Issue 20B</p> <p>Key Issue 20C</p> <p>Key Issue 20C</p> <p>Key Issue 20D</p> <p>Key Issue 20G</p> <p>Key Issue 20I</p>
<p>CHAPTER 21 Form 944 (Employer's Annual Federal Tax Return)</p>	<p>1. The 2020 Form 944 was substantially revised for 2020. This update includes guidance on completing the revised form.</p>	<p>Key Issue 21B</p>
<p>CHAPTER 22 Form 943 (Employer's Annual Federal Tax Return for Agricultural Employees)</p>	<p>1. The 2020 Form 943 was substantially revised for 2020. This update includes guidance on completing the revised form.</p> <p>2. Schedule R (Form 943) was substantially revised for 2020. This key issue provides guidance on completing the revised form.</p>	<p>Key Issue 22E</p> <p>Key Issue 22G</p>
<p>CHAPTER 23 Form 945 (Annual Return of Withheld Federal Income Tax)</p>	<p>1. This update includes information on the CP2100 and CP2100A notices that let payers know that they may be responsible for backup withholding when TINs are missing or incorrect.</p>	<p>Key Issue 23A</p>
<p>CHAPTER 24 Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return]</p>	<p>1. This edition has a discussion explaining when states may become a credit reduction state which requires employers to pay more in FUTA taxes.</p>	<p>Key Issue 24A</p>

<p>CHAPTER 25 Form W-2 (Annual Wage and Tax Statement)</p>	<p>1. The most recent guidance on when an employer should provide more than one Form W-2 to an employee has been added in this edition.</p>	<p>Key Issue 25A</p>
	<p>2. This edition includes guidance on requesting an extension of time to furnish Forms W-2 to employees during the COVID-19 pandemic.</p>	<p>Key Issue 25A</p>
	<p>3. The most recent guidance on when Forms W-2 must be filed electronically is included in this update.</p>	<p>Key Issue 25A</p>
	<p>4. This update includes a discussion on how incorrect social security tax withholding should be corrected and reported.</p>	<p>Key Issue 25B</p>
	<p>5. Information on correcting and reporting contributions to an HSA that are over the annual limit has been added in this edition.</p>	<p>Key Issue 25B</p>
	<p>6. Employers that paid qualified sick leave or qualified family leave wages in 2020 due to the COVID-19 pandemic have special reporting requirements related to those wages. A discussion on these requirements has been added in this edition.</p>	<p>Key Issue 25B</p>
<p>CHAPTER 26 Form 1099—Annual Information Returns</p>	<p>1. An extension request for furnishing 2020 Forms 1099 to employees must be faxed to the IRS, not mailed. Guidance on this change has been added to this key issue.</p>	<p>Key Issue 26A</p>
	<p>2. An alert has been added regarding the information reported on Form 1099-NEC not being part of the IRS's Combined Federal/State Filing (CF/SF) Program.</p>	<p>Key Issue 26B</p>
	<p>3. The IRS recently announced a submission deadline for filing Form 4419 to file Forms 1099 electronically. This edition includes information on the Form 4419 deadline.</p>	<p>Key Issue 26C</p>
<p>CHAPTER 27 Forms 1099-MISC, 1099-NEC, 1099-R, 1099-DIV, and 1099-INT</p>	<p>1. For calendar year 2020, Form 1099-NEC is used for reporting nonemployee compensation. A new key issue has been added in this edition that provides box-by-box guidance for preparing the 2020 Form 1099-NEC.</p>	<p>Key Issue 27D</p>
	<p>2. This edition includes a discussion on recently issued IRS guidance regarding the reporting of distribution checks from a qualified plan that go uncashed.</p>	<p>Key Issue 27E</p>
	<p>3. A discussion on recently issued regulations that provide rules regarding the withholding required when a payee does not submit withholding instructions on periodic payments has been added in this update.</p>	<p>Key Issue 27E</p>
	<p>4. A discussion has been added in this edition on the definition of a qualified REIT dividend and how qualified REIT dividends are reported on Form 1099-DIV.</p>	<p>Key Issue 27G</p>

CHAPTER 28

Forms 1095-B (Health Coverage) and 1095-C (Employer-Provided Health Insurance Offer and Coverage)

1. Beginning in 2020, employers can offer HRAs integrated with individual health insurance policies (ICHRA). This edition includes guidance on how these benefits are reported on Forms 1095-B and 1095-C. Throughout chapter
2. The IRS has extended the date by which Forms 1095-B and 1095-C must be furnished to employees and provided relief from penalties under certain conditions. This edition provides guidance on these matters. Key Issues 28A and 28C
3. Guidance on how long records supporting information reported on Forms 1095-C and 1094-C should be kept in light of the IRS's determination that there is no statute of limitations regarding Section 4980H penalties has been added in this edition. Key Issue 28C
4. This update includes guidance on the new boxes on Form 1095-C that must be completed for 2020 reporting. Key Issue 28D
5. This edition includes guidance on new codes that must be used on Form 1095-C for ICHRA reporting. Key Issue 28D

CHAPTER 30

The Trust Fund Recovery Penalty

1. A discussion has been added in this update on a court case ruling in which the court determined that the trust fund recovery penalty is subject to the supervisory approval requirement. Key Issue 30A
2. Information on the changes allowed for installment agreement payments and offers in compromise due to the COVID-19 pandemic has been added in this update. Key Issue 30A
3. A bankruptcy court recently determined that the trust fund recovery penalties due by the owners of two failed businesses were not dischargeable because the owners continued to pay other creditors instead of making payments to the IRS. This update includes a discussion of this case. Key Issue 30B
4. Guidance on how the trust fund recovery penalty will apply to payroll taxes retained by an employer entitled to certain COVID-19 payroll credits is included in this edition. Key Issue 30B

CHAPTER 31

Penalties

1. Penalty amounts in all discussions have been updated to reflect amounts assessed for 2020 returns due in 2021. Throughout chapter
2. The IRS has issued temporary regulations on how erroneous refunds of COVID-19 credits are to be treated. This edition has been updated for this guidance. Key Issue 31F
3. This update includes IRS guidance on abating penalties associated with next-day deposit obligations that arise from certain stock-based compensation. Key Issue 31F

	4. Guidance from final regulations issued in 2020 that allow the IRS to charge a fee for new or renewed PTINs has been added in this key issue.	Key Issue 31G
CHAPTER 32 Garnishments, Levies, and Other Wage Attachments	1. This update includes a link to a fact sheet that provides information on wage garnishment limits.	Key Issue 32B
	2. Guidance on the suspension of student loan garnishments because of the COVID-19 pandemic is included in this edition.	Key Issue 32B
	3. The OCSE encourages employers to submit child support payments electronically. This edition includes a website link to a new OCSE resource providing guidance on electronic payments.	Key Issue 32D
	4. This edition has been updated for recent changes made to the National Medical Support Notice.	Key Issue 32D
	5. Information on how individuals can request a release from an IRS levy during the COVID-19 pandemic is included in this update.	Key Issue 32E
CHAPTER 33 International	1. Due to the COVID-19 pandemic, U.S. citizens working in another country may have had to return to the U.S. earlier than expected, which could affect their eligibility for Section 911 benefits. This update includes guidance on relief they may be entitled to.	Key Issue 33B
	2. Foreign citizens in the U.S. may not have been able to leave the U.S. when planned because of the COVID-19 pandemic, which may cause some to meet a substantial presence test for U.S. tax purposes. This edition includes guidance on a special medical condition exception to which some taxpayers may be entitled.	Key Issue 33G
IRS RATES AND ALLOWANCES	1. A new table has been added in this edition that shows the reporting requirements for the most frequently provided fringe benefits.	R205