



Subject: PayDay Tax Savings

Income and payroll tax savings can be continually harvested from your payroll system if you know the constantly changing tax laws. Here is a checklist of possible tax savings which we have written about in previous PayDay's (our PayDay's are archived on AccuPay's website):

New Hires

- The largest possible “new hire” tax savings are employees who qualify for “work opportunity tax credits” -- See our PayDay's dated March 26 and July 26, 2009.
- The recent HIRE ACT produces FICA tax exemptions and income tax credits for retained employees – See our PayDay dated March 26, 2010.

S Corporations/Family Businesses

- S corporation owners can save payroll taxes by “setting” their wages at “reasonable” amounts – See our February 24, 2010 PayDay.
- S corporations should pay their owners' health insurance from the corporation. See our PayDay of May 20, 2009.
- Small business owners can frequently save income taxes by paying wages to family members – our PayDay's of July 23, 2008 and November 18, 2009 discuss family tax saving strategies.

Fringe Benefits/Retirement Plans

- “Qualified” retirement plans for businesses and non-profits can save significant income taxes for employees and employers. Check out our PayDay's of January 7 and October 20, 2009.

- Indiana provides state income tax credits for education savings – our PayDay of September 23, 2009 discusses this payroll deduction program.
- HSA's (health savings accounts) generally combine contributions from both the employer and employees. Our March 17, 2009 PayDay discusses how to obtain maximum tax savings from HSA's.
- Our January 20, 2010 PayDay discusses both income and payroll tax savings by using "accountable expense reimbursement" plans and employer – paid parking benefits.

Indiana Unemployment Tax

- The scheduled 2010 Indiana tax increases were postponed until 2011. Details can be found in our March 18, 2010 PayDay.
- Our PayDay's of July 15 and August 12, 2009 both discuss how to control and minimize your state unemployment taxes.
- If you are paying health insurance premiums on behalf of terminated employees, you may qualify for "Cobra subsidy" tax credits. The program is explained in our March 3, 2009 and February 1, 2010 PayDay's.

Compliance and Reporting

- Harsh penalties apply if the IRS recharacterizes a "1099 contractor" to employee status. Read our PayDay's dated July 22 and August 31, 2009 regarding "worker classification" rules.
- Our December 3, 2009 PayDay explains the 2 ways to withhold taxes from employee bonuses and sales commissions. One method produces better results than the other.
- Certain types/categories of employees require special tax treatment. Our October 27, 2009 PayDay discusses "Pastors' Tax Tips", and non-resident aliens, including Hispanic workers, require special "tax tables" as explained in our April 28, 2009 PayDay.
- It is very important that you report compensation on W-2's for employees who personally drive "company cars" – our PayDay of October 6, 2009 explains how to do this.
- Employee payroll deductions for 401k, 403b and Simple-IRA plans must be timely submitted to qualified plans to avoid harsh penalties. Our February 9, 2010 PayDay discusses payment deadlines which apply to different retirement plans.

Tax laws are increasingly important to employer payroll systems. AccuPay is staffed with CPP's and CPA's who are experts in tax laws as they affect payroll fringe benefits and tax reporting and compliance. Call us at 885-7600 if we can help you with a tax question!

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.