

## 2007 Payroll Update MINIMUM WAGE REQUIREMENTS

|              | <u>Required</u> | <u>Effective Date</u> |
|--------------|-----------------|-----------------------|
| 2007 FEDERAL | \$5.15          | 09-01-97              |
| 2007 STATE * | \$7.80          | 01-01-07              |

\*All Oregon employers are required to follow state minimum wage laws, which supersede federal law. [Exceptions: Casual baby-sitters, companions to elderly, outside sales people, managers, supervisors, administrative employees and professionals provided they meet tests set out in FLSA and Oregon minimum wage; some apartment managers.]

## PAYROLL TAXES

Wages paid in current year for wages earned in the prior year are subject to current year payroll tax rates.

*Federal withholding tables for 2007 are in the 2007 Circular E prepared by the IRS*

| <u>FEDERAL</u>   | <u>Wage Limit</u> | <u>Rate</u> | <u>Tax</u>                                |
|--|-------------------|-------------|---|
| FICA - Employee/employer [old age, survivors and disability Insurance portion (OASDI)] | \$97,500          | 6.20%       | \$6,045.00<br><i>maximum per employee</i> |
| FICA - Employee/employer [Medicare hospital insurance Portion (MHI)]                   | All wages         | 1.45%       | No limit                                  |
| FUTA*- Federal unemployment  | \$ 7,000          | 0.8%        | \$56.00<br><i>maximum per employee</i>    |

\* To determine if a FUTA tax deposit is to be made, compute the tax on the first \$7,000 for each employee's annual wage and multiply by .008 [.8%]. If the cumulative total for all employees is over \$500, make a deposit for the quarter. If the liability is under \$500, no deposit is required; however, the amount will be carried over to the following quarter. Once the accumulated amount reaches \$500, a tax deposit is due at your bank with a federal deposit coupon or EFTPS, the last day of the month following the quarter the FUTA tax liability reached or exceeded \$500 of undeposited FUTA tax.

| <u>STATE</u>                        | <u>Effective</u> | <u>Wage Limit</u> | <u>Rate</u>                |
|-------------------------------------|------------------|-------------------|----------------------------|
| SUTA – State Unemployment           | 01-01-07         | \$29,000          | [New employer's rate-2.4%] |
| Lane Transit District               | 01-01-07         |                   | .62%                       |
| Tri-Met Transit District [Portland] | 01-01-07         |                   | .6518%                     |

## WORKERS' COMPENSATION ASSESSMENT

|          |   |                    |
|----------|---|--------------------|
| Employee | 1.4¢ Per Hour (or any portion of an Hour) | Effective 01-01-07 |
| Employer | 1.4¢ Per Hour (or any portion of an Hour) | Effective 01-01-07 |

\* If hours are not tracked, you may calculate assessment by using 173.33 hours per month, or 40 hours per week  
 \* Employers and workers subject to payment of workers' compensation assessments include only those that are subject to the Oregon Workers' Compensation Law and are for total hours worked only.

## MILEAGE ALLOWANCE

48.5 cents per mile for all business miles (effective 01/01/2007).

300 SW Columbia St.  
Bend, OR 97701  
(541) 382-3590

432 West 11<sup>th</sup> Avenue  
Eugene, OR 97401  
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5635 NE Elam Young Parkway  
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|  | <u>FICA</u>  | <u>FUTA</u>                                      | <u>SUTA</u>                                      | <u>FWT</u>                         | <u>SWT</u>                         | <u>Transit</u> | <u>SAIF</u>                                  |
|--|--|--|--|------------------------------------|------------------------------------|----------------|--|
| <b>C. CORPORATION – Shareholder</b>  | Taxable  | Taxable  | Taxable  | Taxable                            | Taxable                            | Taxable        | Exempt if owns 10% or more.                  |
| <b>S. CORPORATION – Shareholder</b><br>(2% Ownership/Officer)  | Taxable  | Taxable  | Taxable  | Taxable                            | Taxable                            | Taxable        | Exempt if owns 10% or more.                  |
| <b>INDIVIDUAL PROPRIETORSHIP AND PARTNERSHIPS CONSISTING OF ONLY PARENTS</b>   |  |  |  |                                    |                                    |                | If total payroll is >\$500 in 30 day period. |
| Son or daughter under age 18   | Exempt   | Exempt   | Exempt   | Taxable                            | Taxable                            | Taxable        | Required                                     |
| Son or daughter ages 18-20   | Taxable  | Exempt   | Taxable  | Taxable                            | Taxable                            | Taxable        | Required                                     |
| Son or daughter over age 20  | Taxable  | Taxable  | Taxable  | Taxable                            | Taxable                            | Taxable        | Required                                     |
| <b>INDIVIDUAL PROPRIETORSHIP</b><br>Spouse or parent   | Taxable  | Exempt   | Exempt   | Taxable                            | Taxable                            | Taxable        | Required                                     |
| <b>RESTAURANT MEALS</b><br>Generally Taxable (see below)   | Taxable  | Taxable  | Taxable  | Taxable                            | Taxable                            | Taxable        | Required                                     |
| <i>Exception: Furnished on employer's premises, for the employer's convenience and as a condition of employment</i>  | Exempt   | Exempt   | Taxable  | Exempt                             | Exempt                             | Exempt         | Exempt                                       |
| <b>TIPS</b><br><b>Exempt</b> - Less than \$20 in a month (exempt from federal withholding, but taxable to employee)<br><b>Taxable</b> - \$20 or more in a month<br><i>Note: Your employee should report tips to you on Form 4070 or on a similar statement</i> |  |  |  |                                    |                                    | Exempt         | Exempt                                       |
| <b>REAL ESTATE SALESPERSON</b><br><i>Treated as self-employed, independent contractor must have contract with broker and paid solely by Commissions</i>  | Exempt   | Exempt   | Exempt   | Exempt                             | Exempt                             | Exempt         | Check with SAIF                              |
| <b>LODGING</b><br>Generally Taxable (see below)  | Taxable  | Taxable  | Taxable  | Taxable                            | Taxable                            | Taxable        | Required                                     |
| <i>Exception: Furnished on employer's premises, for the employer's convenience and as a condition of employment.</i>   | Exempt   | Exempt   | Taxable  | Exempt                             | Exempt                             | Exempt         | Required                                     |
| <b>HOUSEHOLD WORKERS</b><br>Domestic Service in Private Homes  | Taxable if wages > \$1,500 in a year   | Taxable if wages > \$1,000 in a calendar quarter | Taxable if wages > \$1,000 in a calendar quarter | Taxable (withhold by request only) | Taxable (withhold by request only) | Exempt         | Exempt                                       |
| <b>EMPLOYEE GIFTS</b>  | Gifts <u>under</u> \$25.00 are <u>not</u> classified as payroll compensation and therefore are not subject to payroll taxes. |  |  |                                    |                                    |                |  |

## FEDERAL TAX DEPOSITS

### DEPOSIT RULES:

- Monthly Taxes on payments made during a calendar month must be deposited by the 15<sup>th</sup> day of the following month.
- Semi-weekly Taxes on payroll payments made on Wednesday, Thursday, and /or Friday must be deposited by the following Wednesday. Taxes on payroll payments made on Saturday, Sunday, Monday, and/or Tuesday must be deposited by the following Friday.
- \$2,500 If an employer accumulates less than \$2,500 (effective January 1, 2001) tax liability during a quarter, no deposits are required and this liability may be paid with the tax report for the quarter. If you are unsure whether you will accumulate less than \$2,500, make your deposit in accordance with the monthly depositor rules. You will be subject to deposit penalties if you were required to make monthly deposits and fail to do so.
- \$100,000 If the total accumulated tax reaches \$100,000 or more on any day during a deposit period, it must be deposited by the next banking day, whether an employer is a monthly or semi-weekly depositor. For monthly depositors, the deposit period is a calendar month. The deposit periods for a semi-weekly depositor are Wednesday through Friday and Saturday through Tuesday. In regard to the \$100,000 rule, do not continue accumulating employment tax liability after the end of a deposit period. For example, if a semi-weekly depositor has accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday accumulation period) and accumulated a \$10,000 liability on Wednesday, the \$100,000 one day rule does not apply.

### ELECTRONIC FEDERAL TAX PAYMENT SYSTEM:

**Criteria** Internal Revenue Service regulations have mandated the usage of EFTPS for federal tax deposits. There are certain criteria an employer must meet before having to implement these changes.

The criteria are based on employment taxes paid during a fiscal year. If a taxpayer deposited more than \$200,000 in employment taxes in calendar year 2005, they are required to begin making deposits electronically in 2007. Once a taxpayer has met these criteria, they will always have to make their tax payments electronically (even if their employment taxes paid in a given year are below \$200,000).

The Internal Revenue Service will notify employers by mail if the employer is mandated to comply. However, if a business fulfills the criteria but was not notified by the Internal Revenue Service, the business is still responsible for enrolling and utilizing EFTPS.

*Once a taxpayer meets the criteria mentioned above, all federal business tax payments must be made using the EFTPS.*

#### Business taxes affected:

|        |      |      |       |      |      |      |
|--------|------|------|-------|------|------|------|
| Forms: | 720  | 940  | 941   | 943  | 945  | CT-1 |
|        | 1120 | 990C | 990PF | 990T | 1042 |      |

### PENALTIES:

The penalties for failure to make deposits of taxes are based on applicable percentages of the amount of underpayment determined by the number of days the deposit is late. Percentages range from 2% of the undeposited taxes if not more than 5 days late, to 10% if the deposit is more than 15 days late. Additional penalties may result if the IRS issues a notice of payment for under deposited taxes and payment is not made within 10 days after the first delinquency notice

All reports should be filed timely even if payment of tax owed cannot be remitted, otherwise a penalty can be assessed for failure to file the report by the required filing date, as well as penalties for failure to pay the amount of tax due. Penalties for failure to file timely range from 5% to a maximum penalty of 25%.

## ADMINISTRATION

### New Hires

New hires are required to be reported to the Oregon Department of Justice within **20** days after employees hire date.

Reporting information required:

Employer Name, employer identification number (EIN), address, phone number, contact person

Employee Name, social security number, address

### Form W-4

It is our recommendation that you have your employees review their withholdings early in the new year to see if they should file a revised Form W-4. Any employee who claimed exemption from withholding during 2006 must complete a new Form W-4 by February 15, 2007. The 2006 Form W-4 claiming exemption expires on that date. If a new Form W-4 is not received by February 15, 2007, you are required to withhold tax as if the employee is single with zero withholding allowances. Employers who rely on old Forms W-4, claiming exemption, could be liable for additional payroll taxes, based on what *should* have been withheld.

### Form W-5

Any employee who requested Earned Income Credit Advance Payments during 2006 must complete a new Form W-5 by December 31, 2006.

*Employers must notify their employees that they could be eligible for earned income credit unless they filed a W-4 Form claiming exempt from withholding.*

### Form I-9

You must complete Form I-9, Employment Eligibility Verification Form, for each new employee you hire.

## TERMINATED EMPLOYEES

### Final Paychecks

When an employee quits without notice, all wages earned are due within five days, excluding Saturdays, Sundays, and holidays, or at the next regular payday, whichever event occurs first. If the employee has given notice of 48 hours or more, all wages are due immediately. When an employee is discharged or where employment is terminated by mutual agreement; the final paycheck must be paid not later than the end of the first business day after the termination. (ORS 652.140(1)).

### Reporting

#### Forms W-3 and W-2:

Employees' Forms W-2 January 31

Social Security Administration February 28

Form WR (Oregon) February 28

If you stop doing business or no longer have employees during the year, different due dates apply.

**For more information, please call any of our offices:**

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