

2025 Payroll Update Reference Guide

Jones & Roth is providing this Payroll Update as a reference guide for you. It is not meant to be all-inclusive. If there is a payroll item that you have questions about, please contact us and we will be happy to assist you.

MINIMUM WAGE REQUIREMENTS		
FEDERAL	\$7.25	1/1/2025
STATE *		7/1/2024 – 6/30/2025
Standard	\$14.70	
Portland Metro	\$15.95	\$1.25 above Standard
Nonurban Counties	\$13.70	\$1 less than Standard

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

Starting July 1, 2024, the Oregon minimum wage rate will be indexed to inflation based on the Consumer Price Index (CPI), a figure published by the United States Bureau of Labor Statistics.

Starting January 1, 2020, the Department of Labor revised the regulations under the Fair Labor Standards Act (FLSA) implementing the exemption from minimum wage and overtime pay requirement for executive, administrative, professional, outside sales and computer employees. To make yourself familiar with these changes and to calculate FLSA overtime for nonexempt employee, please use the following references:

For detailed information on the changes: <https://www.dol.gov/newsroom/releases/whd/whd20190924>

To calculate overtime: <https://webapps.dol.gov/elaws/otcalculator.htm>

PAYROLL TAXES			
Wages paid in current year for wages earned in the prior year are subject to current year payroll tax rates. <i>Federal withholding tables for 2025 are in the 2025 Circular E (Publication 15) issued by the IRS</i>			
<u>FEDERAL</u>	<u>Wage Limit</u>	<u>Rate</u>	<u>Tax</u>
FICA - Employee (Social Security portion)	\$176,100	6.20%	\$10,918.20 <i>max per employee</i>
FICA - Employer (Social Security portion)	\$176,100	6.20%	\$10,918.20 <i>max per employee</i>

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FICA - Employee/employer (Medicare portion)	All wages	1.45%	No limit
	<i>Additional .9% for employee wages over \$200,000</i>		
FUTA*- Federal unemployment	\$ 7,000	0.6% <i>With timely payment of SUTA</i>	\$42.00 <i>max per employee</i>

* Compute the tax, at the end of each quarter, by multiplying the first \$7,000 of each employee’s annual wage by .006 (0.6%). If the total for all employees is less than \$500, no deposit is due; however, the amount will carry over to the next quarter. When the cumulative tax, at the end of a quarter, reaches \$500 or more, a tax deposit is due by the end of the month following the quarter.

<u>STATE</u>	<u>Wage Limit</u>	<u>Rate</u>	<u>Effective</u>
SUTA – State Unemployment	\$54,300	New employers: 2.4%	1/01/2025
Lane Transit District		0.0080 (.8%)	1/01/2025
Tri-Met Transit District		0.008237	1/01/2025
STT - State Wide Transit Tax - Employee		0.001 (.1%)	7/01/2018
Paid Leave Oregon Tax*	\$176,100	.01 (1%) – Large Employers pay 40% of the 1% and employees pay 60% of the 1%	1/01/2025
Canby Area Transit Tax		.006 (.6%)	1/01/2024
Community Safety Payroll Tax - City of Eugene	This is a multi-tiered tax. For details click here: https://www.eugene-or.gov/4281/Community-Safety-Payroll-Tax For a recorded webinar describing the tax go to: https://jrcca.com/webinar-eugene-community-safety-payroll-tax-overview/		

*Paid Leave Oregon Tax: If you have less than 25 employees, your business will be exempt from the employer portion of this tax. For details on this new tax, please click here: <https://paidleave.oregon.gov/Pages/default.aspx>

OREGON WORKERS’ BENEFIT FUND (WBF)		
Employee*	1.0¢ per hour (or any portion of an hour worked)	Effective 1/1/2024
Employer*	1.0¢ per hour (or any portion of an hour worked)	Effective 1/1/2024

*Employers and workers subject to Worker’s Benefit Fund include only those that are subject to Oregon

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Worker's Benefit Fund (cents-per-hour) assessment: The total assessment is 2.0 cents per hour or partial hour worked by each individual that an employer must cover or chooses to provide with workers' compensation coverage. Employers must pay at least half the amount (1.0 cents per hour) and deduct no more than half from workers' wages.

MILEAGE ALLOWANCE

2025 rates: 70 cents per mile for all business miles and 14 cents per mile for Qualified Nonprofits

PERSONAL USAGE OF BUSINESS VEHICLES

The personal usage of a company owned or leased vehicle driven by an employee (including corporate shareholder) is classified as payroll compensation and must be reported on the employee's W2. The personal auto usage compensation is considered Federal W/H, State W/H, FICA, FUTA, SUTA, PAID LEAVE, LTD, TRI-MET, and STT wages and are subject to those taxes. The auto wages need to be processed through payroll by 12/31.

S-CORPORATIONS' HEALTH INSURANCE

The IRS is continuing to enforce their ruling that the S-Corporation health insurance premiums **MUST** be included on W2s. If it is not included, then the IRS will **disallow the health insurance deduction** in its entirety. This ruling affects the following individuals:

1. Any S-Corporation shareholder owning more than 2% of the stock on any day during the tax year
2. Any member of a shareholder's family identified in number one above regardless if they actually hold stock in the S Corporation. (Spouse, child, grandchild, or parent)

The S-Corp's Health Insurance compensation is considered Federal W/H, State W/H, PAID LEAVE, LTD, TRI-MET and STT wages and is subject to those taxes. It is **not** considered FUTA, SUTA, or FICA (Social Security and Medicare) wages and therefore is **not** subjected to these taxes. These wages need to be processed through payroll by 12/31.

SOCIAL SECURITY RECIPIENTS

The Social Security Administration uses the following earnings limits to reduce your benefits: If you are **under full retirement age** for the entire year, they deduct \$1.00 from your benefit payments for every \$2.00 you earn above the annual limit of \$23,400 in 2025. **In the year you reach full retirement age** they deduct \$1.00 in benefits for every \$3.00 you earn above a different limit, but they only count earnings before the month you reach your full retirement age. If you will reach full retirement age in 2025, the limit on your earnings for the months before full retirement age is \$62,160. Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings.

A “Full Retirement Age Calculator” provided by the Social Security Administration can be found at:
<https://www.socialsecurity.gov/planners/retire/ageincrease.html>

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WAGES						
	<u>FICA</u>	<u>FUTA</u>	<u>SUTA/PFML</u>	<u>FWT</u>	<u>SWT</u>	<u>Transit</u>
C. CORPORATION – Shareholder	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
S. CORPORATION – Shareholder (2% Ownership/Officer)	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
INDIVIDUAL PROPRIETORSHIP AND PARTNERSHIPS CONSISTING OF ONLY PARENTS						
Son or daughter under age 18	Exempt	Exempt	Exempt	Taxable	Taxable	Taxable
Son or daughter age 18-21	Taxable	Exempt	Taxable	Taxable	Taxable	Taxable
Son or daughter over age 21	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
INDIVIDUAL PROPRIETORSHIP						
Spouse or Parent						
<i>(Tax information applicable to employees who are working in the trade or business. If you are employing them for other reasons such as domestic service in private home please contact us for more info)</i>	Taxable	Exempt	Exempt	Taxable	Taxable	Taxable
QUALIFIED REAL ESTATE SALESPERSON						
<i>Considered a statutory non-employee. Generally treated as self-employed.</i>	Exempt	Exempt	Exempt	Exempt	Exempt	Exempt
HOUSEHOLD WORKERS						
Domestic Service in Private Homes	Taxable if wages > \$2,800 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
<i>*Lookback period – Current year or preceding calendar year</i>						

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OTHER						
	<u>FICA</u>	<u>FUTA</u>	<u>SUTA/PFML</u>	<u>FWT</u>	<u>SWT</u>	<u>Transit</u>
<p>TIPS</p> <p>Exempt - Less than \$20 in a month (exempt from federal taxes)</p> <p>Taxable - \$20 or more in a month</p> <p>Note: Your employee should report tips to you on Form 4070 or a similar statement</p>						Taxable
<p>LODGING</p> <p>Generally Taxable – Fringe Benefit</p> <p>Exception: Furnished on employer's premises, for the employer's convenience, and as a condition of employment.</p>	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
	Exempt	Exempt	Taxable (Exempt if for travel, domestic service, or Agricultural labor)	Exempt	Exempt	Exempt
<p>RESTAURANT MEALS</p> <p>Generally Taxable – Fringe Benefit</p> <p>Exception: Furnished on employer's premises, for the employer's convenience</p>	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable
	Exempt	Exempt	Taxable (Exempt if for travel, domestic service, or Agricultural labor)	Exempt	Exempt	Exempt
<p>EMPLOYEE GIFTS</p> <p>Gifts of cash or cash equivalents (gift cards) of any amount are subject to payroll taxes.</p>	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable

FEDERAL TAX DEPOSITS	
DEPOSIT RULES:	
Monthly	Taxes on payments made during a calendar month must be deposited by the 15th 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	<p>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.</p> <p>A monthly depositor, who accumulates \$100,000 tax liability on any day, becomes a semi-weekly depositor on the next day and remains so for at least the rest of the current and the following calendar year.</p>

ELECTRONIC FEDERAL TAX PAYMENT SYSTEM

Beginning January 1, 2011, Internal Revenue Service regulations mandated the use of the Electronic Federal Tax Payment System (EFTPS) for all federal tax payments. Tax payment coupon (Form 8109) will no longer be accepted at any bank.

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, to avoid an additional penalty for failure to file by the required due date, which is in addition to the penalties for failure to pay the tax due.

ADMINISTRATION

New-Hires

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

New hire forms: <https://www.uscis.gov/sites/default/files/document/forms/i-9-paper-version.pdf>

The Oregon New Hire Reporting Form: https://www.doj.state.or.us/wp-content/uploads/2017/06/Oregon_New_Hire_Reporting_Form.pdf

Reporting information required:

Employer:

- Name
- Employer Identification Number (EIN)
- Address
- Phone Number
- Contact Person

Employee:

- Name
- Social Security Number
- Address

<p>Form W-4</p>	<p>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 2021 was required to complete a new Form W-4 by February 15, 2022. The 2021 Form W-4 claiming exemption expires on that date. If a new Form W-4 was not received by February 15, 2022, you are required to withhold tax as if the employee is being taxed at the highest rate for that year. See below for the 2025 state and federal rate. Employers who rely on old Forms W-4, claiming exemption, could be liable for additional payroll taxes, based on what <i>should</i> have been withheld.</p> <p>The IRS issued a new W-4 Form for use in 2020. Not all employees must use the new form. Employees hired in 2025 and any employee who makes withholding changes in 2025 are required to use the new form. The IRS does recommend that any employee desiring a more accurate withholding tax valuation should complete the new Form W-4.</p> <p>For employees failing to submit a W-4 by the first payroll, the employer is required to withhold at the current highest tax rate. In 2025 that rate is currently 37%. Oregon’s highest tax rate is 9.9%.</p> <p>For an IRS list of FAQs go to: https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4</p>
<p>Form OR-W-4</p>	<p>Oregon now has their own version of the Federal W-4. Employees must complete this form if: You’re a new employee, you filed a 2018 or 2019 W-4 and didn’t file a separate Oregon form specifying a different number of allowances for Oregon, you weren’t satisfied with your prior year Oregon tax deduction, or you had a change in financial/tax filing status.</p>
<p>Form I-9</p>	<p>You must complete Form I-9, Employment Eligibility Verification Form, for each new employee you hire within three business days. Forms can be obtained at https://www.uscis.gov/sites/default/files/document/forms/i-9-paper-version.pdf.</p>

TERMINATED EMPLOYEES	
Final Paychecks	When an employee quits with less than 48 hours 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))

W-2 FILING REQUIREMENTS				
Reporting	Forms W-3 and W-2:			
	Employees' Forms W-2	Mail	Due January 31	
	Social Security Administration	Mail	Due January 31	
	- OR -			
	Social Security Administration	Electronic	Due January 31	
	State of Oregon	Electronic	Due January 31	
	Form WR (Oregon)	Electronic	Due January 31	

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

The **State of Oregon now requires the electronic filing of all W-2's** be made to the State electronically using the state's I-Wire system. Oregon no longer accepts paper filings and penalties and fines may be levied against employers who do not comply with these electronic filing requirements