



Eye On Washington

# Regulatory Update



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## IRS Releases 2019 Publications 15, 15-A, and 15-B

The Internal Revenue Service (IRS) has released Publication 15 (Circular E) Employer's Tax Guide for use in 2019; Publication 15-A, Employer's Supplemental Tax Guide; and Publication 15-B, Employer's Tax Guide to Fringe Benefits.

### Publication 15

Publication 15 explains an employer's tax responsibilities and contains the final 2019 federal income tax percentage method and wage bracket withholding tables, important updates for 2019, and employer instructions for payroll and non-payroll tax withholding.

Some of the highlights of the 2019 Publication 15 are as follows:

**Social Security and Medicare tax for 2019.** The Social Security tax rate is 6.2% each for the employee and employer, unchanged from 2018. The Social Security wage base limit is \$132,900.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2018. There is no wage base limit for Medicare tax. Social Security and Medicare taxes apply to the wages of household workers you pay \$2,100 or more in cash wages in 2019. Social Security and Medicare taxes apply to election workers who are paid \$1,800 or more in cash or an equivalent form of compensation.

**Backup withholding.** P.L. 115-97 lowered the backup withholding rate to 24% for tax years beginning after 2017 and before 2026.

**2019 federal income tax withholding.** Notice 2018-92, 2018-51 Internal Revenue Bulletin (I.R.B.) 1038, available at [IRS.gov/irb/2018-51\\_IRB#NOT-2018-92](https://www.irs.gov/irb/2018-51_IRB#NOT-2018-92), provides that until April 30, 2019, an employee who has a reduction in a claimed number of withholding

allowances solely due to changes from the new tax legislation enacted on December 22, 2017 (P.L. 115-97, Tax Cuts and Jobs Act), isn't required to give his or her employer a new Form W-4 until May 10, 2019 (10 days after April 30, 2019). However, if an employee no longer reasonably expects to be entitled to a claimed number of withholding allowances because of a change in personal circumstances not solely related to changes made by P.L. 115-97 (for example, an employee's child no longer qualifies as the employee's dependent because of the child's change in residence), the employee must furnish his or her employer a new Form W-4 within 10 days after the change. In addition, if an employee who claimed married filing status on Form W-4 becomes divorced from his or her spouse, the employee must furnish his or her employer a new Form W-4 within 10 days after the change. An employee who has a reduction in a claimed number of withholding allowances after April 30, 2019, for any reason, is required to give his or her employer a new Form W-4 within 10 days of the change in status resulting in the reduction in withholding allowances.

**Outsourcing payroll duties.** Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. The IRS recommends that employers register with EFTPS.gov to periodically verify that tax payments made on behalf of the employer by a third party are being credited to the employer's account appropriately.

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**Severance payments.** Severance payments are wages subject to Social Security and Medicare taxes, income tax withholding, and FUTA tax.

**Moving expense reimbursement.** P.L. 115-97 suspends the exclusion for qualified moving expense reimbursements from your employee's income for tax years beginning after 2017 and before 2026. However, the exclusion is still available in the case of a member of the U.S. Armed Forces on active duty who moves because of a permanent change of station. The exclusion applies only to reimbursement of moving expenses that the member could deduct if he or she had paid or incurred them without reimbursement.

For a copy of the 2019 Publication 15, click on the link provided below:

<https://www.irs.gov/pub/irs-pdf/p15.pdf>

## Publication 15-A

IRS Publication 15-A (Employer's Supplemental Tax Guide) supplements IRS Publication 15 (Circular E) by providing more specialized and detailed employment tax information on certain topics covered in IRS Publication 15.

There are sections in IRS Publication 15-A on: (1) Who Are Employees; (2) Employee or Independent Contractor; (3) Employees of Exempt Organizations; (4) Religious Exemptions and Special Rules for Ministers; (5) Wages and Other Compensation; (6) Sick Pay Reporting; (7) Special Rules for Paying Taxes; and (8) Pensions and Annuities.

IRS Publication 15-A also includes the following alternative methods for computing federal income tax withholding: (i) formula tables for percentage method withholding for automated payroll systems;

(ii) wage bracket percentage method tables for automated payroll systems; (iii) combined income tax, employee Social Security tax, and employee Medicare tax withholding tables; and (iv) tables for withholding on distributions of Indian gaming profits to tribal members.

A few of the highlights under "What's New" are as follows:

**2019 withholding tables.** This publication includes the 2019 Formula Tables for Percentage Method Withholding; Wage Bracket Percentage Method Tables; Combined Federal Income Tax, Employee Social Security Tax, and Employee Medicare Tax Withholding Tables; and Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members.

**Withholding allowance.** The 2019 amount for one withholding allowance on an annual basis is \$4,200.

**Disaster tax relief.** Disaster tax relief is available for those impacted by recent disasters.

For a copy of the 2019 Publication 15-A, click on the link provided below:

<https://www.irs.gov/pub/irs-pdf/p15a.pdf>

## Publication 15-B

Publication 15-B (Employer's Tax Guide to Fringe Benefits) contains information for employers on the employment tax treatment of various fringe benefits, including accident and health coverage, adoption assistance, company cars and other employer-provided vehicles, dependent care assistance, educational assistance, employee discount programs, group term life insurance, moving expense reimbursements, health savings accounts (HSAs), and transportation (commuting) benefits. (Publication



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15-B uses the term “employment taxes” to refer to federal income tax withholding as well as Social Security and Medicare (FICA) and federal unemployment (FUTA) taxes.)

A few of the highlights under “What’s New” are as follows:

**Cents-per-mile rule.** The business mileage rate for 2019 is 58 cents per mile. You may use this rate to reimburse an employee for business use of a personal vehicle and, under certain conditions, you may use the rate under the cents-per-mile rule to value the personal use of a vehicle.

**Qualified parking exclusion and commuter transportation benefit.** For 2019, the monthly exclusion for qualified parking is \$265 and the

monthly exclusion for commuter highway vehicle transportation and transit passes is \$265.

**Contribution limit on a health flexible spending arrangement (FSA).** For plan years beginning in 2019, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$2,700.

For a copy of IRS Publication 15-B “Employer’s Tax Guide to Fringe Benefits” (For Benefits Provided in 2019), click on the link provided below.

<https://www.irs.gov/pub/irs-pdf/p15b.pdf>

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## ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP *Eye on Washington* Web page located at [www.adp.com/regulatorynews](http://www.adp.com/regulatorynews).

ADP is committed to assisting businesses with increased compliance requirements resulting from rapidly evolving legislation. Our goal is to help minimize your administrative burden across the entire spectrum of employment-related payroll, tax, HR and benefits, so that you can focus on running your business. This information is provided as a courtesy to assist in your understanding of the impact of certain regulatory requirements and should not be construed as tax or legal advice. Such information is by nature subject to revision and may not be the most current information available. ADP encourages readers to consult with appropriate legal and/or tax advisors. Please be advised that calls to and from ADP may be monitored or recorded.

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