



December 1, 2022

We at Newcomb & Company, LLC would like to express our sincere appreciation to you for allowing us the opportunity to provide you with accounting, tax and business consultation services. To that end, we are enclosing for your review the latest 2023 payroll and other tax revisions.

### **PAYROLL TAX CHANGES**

Enclosed with this letter is a chart summary of the payroll tax changes for 2023 for easy reference. We have also provided a summary of the 2023 cost of living adjustments in the same format.

The Internal Revenue Service will issue a revised Circular E (Employer's Tax Guide) to be used effective January 1, 2023. Please be sure to use the revised schedules when calculating federal income tax and social security to be withheld from employees' wages. If you do not receive the revised Circular E, please visit the IRS at <http://www.irs.gov/pub/irs-pdf/p15.pdf> to download a copy.

### **INFORMATION RETURN REQUIREMENTS**

The IRS requires that all businesses file information returns (Forms 1099/1096) for payments made to individuals and unincorporated businesses. Listed below is a checklist of payments which need to be reported to the I.R.S. on forms 1099 and 1096:

1. Dividends paid by a corporation to its stockholders.
2. Interest payments of more than \$10 to persons *other than* financial institutions made in the course of a trade or business.
3. Payments of \$600 or more paid to individuals (who are not treated as employees) for services rendered, such as fees paid to subcontractors, casual laborers or directors. Also, prizes and awards valued in excess of \$600.
4. Fees of \$600 or more for professional services paid to non-corporate accountants, attorneys, consultants, etc.
5. Fees or commissions of \$600 or more paid to any individual, (e.g., fee-splitting).
6. Mortgage interest of \$600 or more paid to any individual.
7. Rent payments of \$600 or more and royalty payments of \$10 or more paid to any individual.
8. Any other payments of \$600 or more paid to any individual or partnership.

If you have not previously provided us with your 1099/1096 information and would like us to prepare these forms, we need all applicable payments listed above recapped with the following information:

1. Payee's complete name, address and Taxpayer Identification Number.
2. Description of payment.
3. Total amount paid to the individual or unincorporated business during calendar year 2022.

If you would like us to prepare your 2022 annual forms 1099/1096, the required information must be in our office no later than January 10, 2023 to insure timely filing of the necessary forms by the January 31, 2023 deadline. Since accounting fees are based primarily on hourly rates for time expended, we encourage you to submit this information to us as complete and as accurate as possible. This will enable us to complete your 2022 forms as efficiently as possible.

**Alert: The IRS is still heavily scrutinizing businesses for employment tax compliance. We strongly recommend reviewing your 1099 workers to make sure none should be on your payroll.**

Also enclosed with this letter are calendars of due dates for many federal, state and local tax returns and an explanation of the Ohio use tax rules.

We would like to extend to you our best wishes for a new year of health, happiness and prosperity.

As always, if you have any questions, please do not hesitate to give us a call.

Very truly yours,

***NEWCOMB & COMPANY, LLC***

*Christian M. Maruskin*

Christian M. Maruskin  
Certified Public Accountant

CMM/gmh

# PAYROLL TAX CHANGES FOR 2023

	<u>2022</u>	<u>2023</u>
<b><u>SOCIAL SECURITY / MEDICARE WAGE BASE</u></b>		
FICA Portion	\$147,000	\$160,200
Medicare Portion	No Limit	No Limit
<b><u>TAX RATES:</u></b>		
FICA - Employee's Portion	6.20%	6.20%
FICA - Employer's Portion	6.20%	6.20%
Medicare - Employee's Portion	1.45%	1.45%
Medicare - Employer's Portion	1.45%	1.45%
<b><u>MAXIMUM TAX WITHHELD FROM EACH EMPLOYEE</u></b>		
FICA Portion	\$9,114.00	\$9,932.40
Medicare Portion	No Limit	No Limit
<b><u>OHIO UNEMPLOYMENT TAXES</u></b>		
Taxable Wage Base (per employee)	\$9,000	\$9,000
<b><u>FEDERAL UNEMPLOYMENT TAXES</u></b>		
Taxable Wage Base (per employee)	\$7,000	\$7,000
Rate*	0.8%	0.8%

\*Rate is comprised of a full rate of 6.2% less a credit of 5.4%. If all state unemployment tax payments are not made by the time Form 940 or 940EZ is filed (January 31, 2023), employers are required to pay the full rate of 6.2%.

## 2023 COST OF LIVING ADJUSTMENTS

	<u>2022</u>	<u>2023</u>
Annual Defined Benefit Funding Limit	\$245,000	\$265,000
Annual Defined Contribution Funding Limit	\$61,000	\$66,000
Elective Pre-Tax 401(k) Deferral Limit	\$20,500	\$22,500
Elective Pre-Tax 401(k) Deferral Limit Over Age 50	\$27,000	\$30,000
Elective Pre-Tax SIMPLE 401(k)/IRA Deferral Limit	\$14,000	\$15,500
Elective Pre-Tax SIMPLE 401(k)/IRA Deferral Limit Over Age 50	\$17,000	\$19,000
403(b) Tax Sheltered Annuity Limit	\$20,500	\$22,500
403(b) Tax Sheltered Annuity Limit Over Age 50	\$27,000	\$30,000
Compensation Limit	\$305,000	\$330,000
<b><u>Standard Mileage Rate</u></b>		
Business	\$0.58/0.625	\$0.625
Charity	\$0.14	\$0.14
Medical	\$0.18/0.22	\$0.22

## **BUSINESS TAX RETURN DUE DATES - 2023**

### **Form 1065 (Partnerships)/1120S - Corporate Federal Tax Return**

Due date is the 15th day of the **third month following** the end of the taxable period.

**NOTE:** Extended due date is **six months after** original filing date.

### **Form 1120/ Form 1041 (Trusts)**

Due date is the 15<sup>th</sup> day of the **fourth month following** the end of the taxable period.

**NOTE:** Extended due date is **six months after** original filing date for forms 1120.

**NOTE:** Extended due date is **five and a half months after** original filing date for forms 1041.

### **Form 1120ES - Corporate Federal Tax Estimates**

First Quarter - 15th day of the fourth month

Second Quarter - 15th day of the sixth month

Third Quarter - 15th day of the ninth month

Fourth Quarter - 15th day of the twelfth month

*If the 15th day falls on a Saturday, Sunday or a legal holiday, the payment is due on the **next** business day.*

### **Form 5500 - Federal Pension Plan and Employee Benefit Plan Reporting**

Due by the **end of the seventh month** following the plan year-end.

### **CAT Tax - Commercial Activity Tax Return**

Due May 10, 2023. Quarterly estimates are due if gross receipts exceed \$1,000,000.

### **City Net Profit Returns**

Due date is three and one-half months after year end. Extended due date is typically the same as the federal extension.

### **Form 990 - Federal Return of Non-Profit Entity**

Due by the 15th day of the fifth month following the year end.

### **Form 1099/1096 - Federal Reporting of Interest, Dividends, Non-Employee Income**

Due to recipient by January 31, 2023

Reportable to the IRS by February 28, 2023

## PAYROLL TAX RETURN DUE DATES - 2023

<u>Tax Return</u>	<u>Tax</u>	<u>Period</u>	<u>Due Date</u>
Form 941 (IRS)	FICA and Federal Withholding	Quarter Ended March 31	April 30, 2023
		Quarter Ended June 30	July 31, 2023
		Quarter Ended September 30	October 31, 2023
		Quarter Ended December 31	January 31, 2024
Form IT-501 (Treasurer of State)	State Withholding	Monthly	15th of the following month
		Quarterly	Last day of the month after quarter end
CCA 102 (Central Collection Agency)	City Withholding	Monthly	15th of the following month
		Quarterly	Last day of the month after quarter end
Form 11 (Regional Income Tax Agency)	City Withholding	Monthly	15th of the following month
		Quarterly	Last day of the month after quarter end
Other Cities	City Withholding	Monthly & Quarterly	Usually by the 30th of the following month.
Employer's Contrib. & Wage Reports (ODJFS)	State Unemployment	Quarter Ended March 31	April 30, 2023
		Quarter Ended June 30	July 31, 2023
		Quarter Ended September 30	October 31, 2023
		Quarter Ended December 31	January 31, 2024
Federal Unemployment Deposits (Form 940)	Federal Unemployment	Quarter Ended March 31	April 30, 2023
		Quarter Ended June 30	July 31, 2023
		Quarter Ended September 30	October 31, 2023
		Quarter Ended December 31	January 31, 2024
Form 940 (IRS)	Federal Unemployment	Annual Return for Year Ended December 31	January 31, 2024
Workers' Compensation Report (Bureau of Workers' Compensation)	Workers' Compensation Insurance	Annual (True-Up) July 1, 2022 through June 30, 2023	August 15, 2023
W2s & W3, State & City Reconciliations	N/A	Annual Year Ended December 31 to employees	January 31, 2024
		Due to Social Security Administration	February 28, 2024

### OHIO USE TAX INFORMATION

As your accountants, we would like to take this opportunity to advise you of your obligations with respect to the Ohio Use Tax Liability.

The Ohio use tax was enacted in 1935 as a companion to the Ohio sales tax. Like sales tax, the total amount of use tax can be comprised of the state rate plus any local rate (county permissive, transit and additional county taxes). The use tax state rate is due when taxable goods and/or services are purchased from suppliers in Ohio or outside of Ohio for use, storage or consumption in Ohio. A local rate is due when taxable goods or services are purchased and/or used in a county that has enacted local taxes. Generally, the use tax would kick in when no sales tax is paid, or when insufficient sales taxes have been paid on taxable goods and services which are used or performed in Ohio.

For example, a company doing business in Cuyahoga County purchases computer equipment from an Illinois supplier for use in its Cleveland office. The company would not be charged any Ohio sales tax on the purchase of this computer equipment, particularly if the equipment was shipped by the Illinois supplier to the company's office in Cleveland. Since no Ohio sales tax was paid on the purchase of the computer equipment, the company is **obligated** by Ohio law to pay a 8.00% use tax on that equipment since it was used or consumed in Cuyahoga County. The lack of payment of the use tax in this instance would ordinarily not be detected by the Ohio Department of Taxation unless a sales and use tax audit was performed on the purchasing company. Once detected, the company would be subject to penalties for the willful nonpayment of the use tax in this instance. Even if the company paid an Illinois state sales tax of 5% on the purchase of this equipment, the company is still obligated to pay the 8.00% use tax on the purchase of the equipment since it used the property in Cuyahoga County. The 5% Illinois tax can then be used as a credit against the entire Ohio use tax liability which is reported and paid on an interim basis (as determined upon registration) by the company.

We, therefore, urge all of our clients to comply with the rules and regulations with respect to the payment of use tax liabilities if you have not done so already. For more information and assistance on how to register for payment of the Ohio use tax, please contact Chris Maruskin of our tax department.