

December 20, 2024

To Our Clients:

Welcome to our digital Annual Payroll Changes letter. The following is a list of the major changes in the payroll and related tax laws effective January 1, 2025. Double-click on any section's footnote to be taken to a reference link.

PAID LEAVE OREGON

Effective January 1, 2025 the wage base limit for contributions will increase to \$176,100 from \$168,600 in 2024. The contribution rate will remain the same. The total rate is 1% of wages, with all employees contributing 0.6% and "Large Employers" contributing 0.4%. If an employer pays fewer than 25 employees, they are qualified as a "Small Employer" and are not required to contribute the 0.4%.

For the calendar year 2025, if the Employer paid any portion of the employees 60% contribution it is considered income and must be included in the employees' taxable wages. If you have any questions on how to make the adjustment, please contact our office or email support_paidleave@oregon.gov.

For FAQs and more information on Paid Leave Oregon, please visit <https://paidleave.oregon.gov> or you may call our office and we will do our best to assist you.

OREGON MINIMUM WAGE

On July 1, 2024, the Oregon minimum wage was increased to **\$14.70 for standard locations, \$15.95 for the Portland metropolitan area, and \$13.70 for nonurban counties**. Coos, Curry, and Douglas Counties are classified as nonurban counties. A map of the county classifications can be found here: www.oregon.gov/boli/WHD/OMW/Pages/Minimum-Wage-Rate-Summary.aspx. These rates will increase July of each year based on the increase, if any, to the US City average Consumer Price Index for all Urban Consumers.¹

CITY OF EUGENE COMMUNITY SAFETY PAYROLL TAX

In 2019, the City of Eugene passed a new payroll tax to provide long-term funding for community safety services. This tax was effective January 1, 2021, and is reported and paid on a quarterly basis. This tax is both an employee and employer paid tax, and also applies to self-employed persons. The employer is responsible for paying the employer payroll tax as well as withholding and remitting the employee payroll tax on behalf of all employees with subject wages. Employees making minimum wage are not subject to this tax. Self-employed persons are responsible for paying the self-employment tax, which is applied to net earnings of a self-employed person with a physical address within the Eugene city limits. If this tax applies, the business will be required to register with MUNIRevs in order to report and pay this tax. Please visit <https://www.eugene-or.gov/4281/Community-Safety-Payroll-Tax> for FAQs, forms, and instructions to register.

WORKERS' BENEFIT FUND

The workers' compensation hourly assessment rate for calendar year 2025 will remain at 2.0 cents for each hour or part of an hour worked by each employee; employers shall deduct one half (\$0.010) of this hourly assessment rate for each employee from the employee's wages; include overtime hours.²

If hours are not tracked, employers may calculate total hours using 173.33 hours per month or 40 hours per week.³

Employers and workers subject to the payment of this workers' compensation assessment include only those who are subject to the Oregon Workers' Compensation law.⁴

SOCIAL SECURITY (FICA) - EMPLOYEES

Employer portion: The total FICA rate remains the same for 2025 at 7.65% for the employer. As in previous years, the tax rate is 6.2% for social security plus 1.45% for Medicare.⁵

Employee Portion: The employee portion of the social security rate will remain 6.2% for 2025. The employee Medicare rate will remain at 1.45% in 2025 on all employee earnings. Thus, the total FICA rate is 7.65% for the employee.

The taxable wage base for 2025 will change to \$176,100 (from \$168,600) for social security (old age, survivors, and disability insurance); it is unlimited for Medicare (hospital insurance).

SOCIAL SECURITY (FICA) – SELF EMPLOYED PERSONS

The social security tax rate will remain 15.30% for self-employed earnings up to the new limit of \$176,100. The Medicare (hospital insurance) portion of the tax rate will remain 2.9% on all self-employed earnings⁶.

ADDITIONAL MEDICARE TAX

The 0.9% Additional Medicare Tax applies to an individual's wages, Railroad Retirement Tax Act compensation, and self-employment income that exceeds a threshold amount based on the individual's filing status. An employer must withhold Additional Medicare Tax from wages it pays to an individual in excess of \$200,000 in a calendar year, without regard to the individual's filing status or wages paid by another employer. There is no employer match for Additional Medicare Tax.

FEDERAL WITHHOLDING

A final draft Circular E was released dated December 19, 2023. The withholding tables are no longer included in Pub. 15. These tables are now included in Pub 15-T. A draft copy of Pub 15-T was released November 20, 2024 with a final release expected soon. Employers should implement the 2025 tables as soon as possible. The IRS will no longer mail Circular E – Employer's Tax Guide, Pub 15-T, Form 941, 940 and 943. You can download them at www.irs.gov.

OREGON STATE WITHHOLDING

Oregon is no longer mailing the new withholding tables to employers but they are available to download at <https://www.oregon.gov/dor/forms/Pages/default.aspx>. Due to Federal tax laws and form changes, the Federal Form W-4 no longer calculates Oregon withholding correctly for your Oregon personal income taxes. To check state withholding, go to www.oregon.gov/dor and click on the link for the online withholding calculator, which will help you calculate state withholding allowances. To update state withholding, a completed Form OR-W-4, *Oregon Employee's Withholding Allowance Certificate*, must be completed by each employee.⁸

FEDERAL UNEMPLOYMENT TAXES

There have been no changes made to the wage base or rate under Federal Unemployment Tax Act (FUTA). The wage base remains at \$7,000 and the rate at 6.0%, less the state credit of 5.4% for a net FUTA tax of 0.6%. The deadline for 2024 Form 940 or 940-EZ is January 31, 2025. The accumulated FUTA tax deposit threshold is \$500. You are not required to make quarterly deposits until your accumulated liability exceeds \$500.

OREGON STATE UNEMPLOYMENT TAXES

The wage base for wages taxable under the State Unemployment Tax Act (SUTA) is \$54,300. Please visit www.oregon.gov/EMPLOY/Businesses/Tax/Pages/Current-Tax-Rate.aspx for more information. Members of limited liability companies (LLCs) are not eligible to participate in State Unemployment. Closely held family corporations may want to elect out of state unemployment coverage for family officers/directors under Oregon Revised Statute 657.044. If their state unemployment tax rate is over 1.2%, there could be some savings. They would still be subject to FUTA, and for the full rate, since there would be no state credit to apply to their wages.

EXAMPLE: If electing out on one officer making greater than \$54,300 (2025 state unemployment limit)

	If Rate Is	
	2%	3%
Not paid - State Unemployment	\$ 1,086.00	\$ 1,629.00
Instead pay - Additional FUTA on first \$7,000 (5.4%)	<u>(378.00)</u>	<u>(378.00)</u>
Savings	<u>\$ 708.00</u>	<u>\$ 1,251.00</u>

To be eligible to opt out of SUTA, the family officers/directors must:

- be officers and directors of the corporation
- have a substantial ownership interest in the corporation
- be members of the same family
- applies only if two or more shareholders.

For more information regarding making this election, please contact our office.

OREGON STATEWIDE TRANSIT TAX (OR-STT)

Oregon Legislature created the Oregon Statewide Transit Tax in 2017 was effective on July 1, 2018. The tax is .001, or one-tenth of 1 percent, from wages of Oregon residents and wages of nonresidents who perform services in Oregon. Revenue from this tax will go to the Statewide Transportation Improvement Fund to finance investments and improvements in public transportation services. The OR-STT has its own quarterly form, OR STT-1 and OR STT-2, and the amounts withheld during the quarter from employees are due on the last day of the month following the end of the quarter, which is the same as the Oregon Quarterly Payroll Tax Reports.

OREGON TRANSIT TAXES

The 2025 tax rate for the Lane Transit District increases to 0.0080 (\$8.00 per \$1,000)⁷. The Tri-met Transit District tax rate will increase to 0.8237%. These taxes apply to both wages and self-employment income⁸.

QUARTERLY FEDERAL PAYROLL DEPOSITS

If your net tax liability on Form 941 (line 10) is less than \$2,500, you are no longer required to make payments during the quarter. You may pay the tax due when Form 941 is filed⁹.

\$100,000 NEXT-DAY DEPOSIT RULE

If you accumulate \$100,000 or more of Federal payroll taxes on any day during a deposit period, you must deposit the tax by the next banking day, whether you are a monthly or semiweekly scheduled depositor. Oregon is tied to the Federal rule and also requires next-day payroll tax deposit.¹⁰

EXAMPLE: If your Federal tax liability is \$100,000 and your Oregon withholding tax liability is \$75,000, you must deposit both by the next business day.

DEPOSITING FEDERAL AND STATE TAXES BY ELECTRONIC FUNDS TRANSFER

The IRS no longer accepts federal tax deposits made with Form 8109. Taxpayers must deposit all depository taxes (such as employment tax, excise tax, and corporate tax) electronically using the Electronic Federal Tax Payment System (EFTPS).¹¹ A exception exists for small taxpayers who owe \$2,500 or less on their quarterly Form 941 or annual Forms 943 or 944.¹²

Oregon follows the federal requirements regarding payroll tax deposits. Oregon will continue to mail paper OTCs (Oregon Tax Coupons) for those taxpayers who are allowed to deposit by check. Oregon encourages signing up for Revenue Online to deposit your payroll taxes.

NEW HIRE REPORTING

Employers are required to report any new employee to a designated state new hire registry within 20 days. Visit the Office of Child Support Enforcement website for more information.¹³

WAGE AND TAX STATEMENT (FORM W-2)

The deadline for furnishing Form W-2 to employees is January 31, 2025.¹⁴ The deadline for filing Form W-3 and Form W-2 with the Social Security Administration (and the Oregon Form WR with the Oregon Department of Revenue) is January 31, 2025¹⁵; for Oregon, all W-2s must be submitted using iWire. As of the tax year 2019, businesses are required to file the OR-WR electronically on Revenue Online.¹⁶ W-2's are not required to be sent with the Oregon Annual Withholding Reconciliation Report (Form WR). If you would like HMW CPAs & Associates, LLC to send W-2s via iWire, we will need them at least ten days prior to January 31.

Per Oregon Senate Bill 398, all employers are required to issue the following statement with each of their employee's W2s:

Employees may be eligible for the Earned Income Tax Credit (EITC or EIC), a benefit for working people with low to moderate income, particularly those with children. EITC reduces the amount of tax owed and may provide a refund.

Visit these websites for additional information about how to qualify:

Federal: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit>

Oregon: <https://www.oregon.gov/DOR/programs/individuals/Pages/credits.aspx>

This can be in the form of regular mail or electronic mail. Please ensure that this statement is included in the W-2s to all of your employees.

Per Treasury Decision 9972, the threshold has been lowered to 10 for which employers must file certain information returns electronically. The 10 is a combined total for Forms W2, Form 1099 series and additional information returns.¹⁷

EMPLOYMENT ELIGIBILITY VERIFICATION (FORM I-9)

A revised version of Form I-9 was released and must be used by all employers; this form is dated 08/01/2023. The 2019 version of the form expired on 10/31/2023.¹⁸

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

INFORMATION RETURNS (FORMS 1099 AND 1098)

Please see the 2024 1099 letter on our website at:

<https://www.hmwcpcas.com/copy-of-letters-1>

INFORMATION RETURN FOR TIP INCOME

Employers of workers with tip income are required to file Form 8027 – Employer’s Annual Information Return of Tip Income and Allocated Tips by February 28, 2025. If filing electronically, the forms are due by March 31, 2025. If you are filing 250 or more information returns, you must file electronically.¹⁹

EARNED INCOME CREDIT (EIC)

Since the option of receiving advance payroll payments of EIC expired in 2010²⁰, individuals eligible for EIC in 2024 can claim the credit when they file their 2024 federal income tax return. In addition, if any of your employees expect to be eligible for the EIC in 2025, they may reduce their withholding in order to receive the benefit of a portion of the credit throughout the year.

AFFORDABLE CARE ACT

Depending on the amount of full-time employees your business has, you may be eligible for an employer health care tax credit or be subject to a penalty. If you are self-employed, you are not considered an employer, and therefore exempt from penalties. If you have fewer than 25 full-time employees, you are exempt from penalties and may qualify for employer health care tax credits. If you have 50 or more full-time employees, your business is considered a “large business” under the health care law, and are required to offer employee health care coverage, or pay a penalty.²¹ “Large business” employers will also be required to report to the IRS on forms 1094-C and 1095-C regarding the employee health coverage offered or not offered. Generally, you must file Forms 1094-C and 1095-C by February 28 if filing on paper (or March 31 if filing electronically) of the year following the calendar year to which the return relates. For calendar year 2023, Forms 1094-C and 1095-C are required to be filed by February 28, 2024, or April 1, 2024, if filing electronically.²²

OREGON SICK LEAVE LAW

Beginning January 1, 2016, all employers in Oregon were required to begin providing sick leave to their employees. The Oregon Sick Leave law divides employers into two categories: (1) Large employers (10 or more employees) are required to provide paid sick leave, and (2) small employers (less than 10 employees) are required to provide unpaid sick leave.²³ For more information on this, contact our office or the referenced BOLI site.

PER DIEM AND MILEAGE ALLOWANCES

The standard mileage rate for 2025 is 70 cents per mile on all business miles. Mileage allowances reimbursed in excess of this rate are considered income to the recipient.²⁴

401(k) CONTRIBUTION LIMIT INCREASE

In a notice dated November 1, 2024, the Internal Revenue Service announced that the amount individuals can contribute to their 401(k) plans in 2025 has increased to \$23,500, up from \$23,000 in 2024.²⁵

OREGON PAYROLL REPORTING

Beginning September 6, 2022, OPRS payroll reporting system was replaced with Frances Online. Frances Online supports Unemployment Insurance, Paid Leave Oregon and coming in Q1 2023, Statewide Transit Tax filing. To get started using Frances Online go to <https://frances.oregon.gov>.

If you would like us to help prepare your quarterly/annual payroll reports, W-2’s or 1099’s, we are set up and ready to go. Please remember that the majority of the forms are due by January 31st; so please bring your information to our office no later than January 20th.

Please contact our office if you have any questions or if you would like further information regarding any of the items discussed in this letter.

HMW CPAs & Associates, LLC

References

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- 25 <https://www.irs.gov/newsroom/401k-limit-increases-to-23500-for-2025-ira-limit-remains-7000>