

# Tax Letter

January 2021



## **GOLD GERSTEIN GROUP LLC**

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# January 2021

## We wish all of our friends a Happy and Healthy New Year!

This letter contains important payroll tax related information that you may need for 2020 and 2021. As always, please contact us if you have any questions.

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# Important Websites

## Internal Revenue Service:

- United States Department of Treasury: [www.irs.gov](http://www.irs.gov)
- Electronic Federal Tax payments (EFTPS): <https://www.eftps.gov/eftps/>

## New Jersey:

- Division of Taxation: [www.state.nj.us/treasury/taxation/index.shtml](http://www.state.nj.us/treasury/taxation/index.shtml)
- Annual Report & other miscellaneous business filings: <https://www.njportal.com/DOR/annualreports/>
- Electronic Services: <https://www.state.nj.us/treasury/taxation/online.shtml>
- New hires: <https://njcresp.com/>

## Pennsylvania:

- Department of Revenue: [www.revenue.state.pa.us/](http://www.revenue.state.pa.us/)
- e-TIDES (Electronic tax payments): <https://www.etides.state.pa.us/>
- New hires: <https://www.cwds.state.pa.us/>

## Social Security Administration:

- [www.ssa.gov](http://www.ssa.gov)

## DUE DATES FOR ALL 2020 TAX RETURNS

Type of Tax Return:	Due Date:
Partnerships and S Corporations	March 15, 2021
C Corporations and individuals	April 15, 2021
Exempt Organizations	May 17, 2021
Final deadline for partnerships and S Corporations	September 15, 2021
Final deadline for C Corporations and individuals	October 15, 2021
Final deadline for exempt organizations	November 15, 2021

## AUTOMOBILE MILEAGE RATES

	2020	2021
Business	\$0.575/mile	\$0.56/mile
Medical/Moving	\$0.17/mile	\$0.16/mile
Charitable	\$0.14/mile	\$0.14/mile

## FLEXIBLE SPENDING ACCOUNT CHANGES

### Pre-tax dollar limit:

- **2020 & 2021:** \$2,750 maximum per employee

All clients who sponsor an FSA should review their plan documents and amend the plan, if applicable, to provide for the new mandatory limit.



# Health Savings Account Limits (HSA)

Minimum Plan Deductible	2020	2021
Single coverage	\$1,400	\$1,400
Family coverage	\$2,800	\$2,800

Maximum HSA Contribution Level	2020	2021
Single coverage	\$3,550	\$3,600
Family coverage	\$7,100	\$7,200
Catch up – age 55 and over	\$1,000	\$1,000

Out of Pocket Maximum	2020	2021
Single coverage	\$6,900	\$7,000
Family coverage	\$13,800	\$14,000

## Social Security

### Social Security Cost of Living Adjustment

The cost of living adjustment for 2021 will be 1.3 percent, however, there is a proposal pending to raise it to 3.0%.

### Social Security While Continuing to Work

The maximum Social Security Benefit eligibility is based on the following chart:

Year of Birth	Normal Retirement Age
1937 and prior	65
1938 – 1942	65 – 66
1943 – 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67

## Social Security (continued)

The following chart reflects the annual retirement earnings test exempt amounts for 2020 and 2021.

Year NRA Attained	2020	2021	Social Security Benefits Withheld
The year reaching full retirement age	\$48,600 \$4,050/mo.	\$50,520 \$4,210/mo.	\$1 in benefits for every \$3 of earnings in excess of the higher exempt amount, but only for months prior to the reaching of NRA.
Under full retirement age	\$18,240 \$1,520/mo.	\$18,960 \$1,580/mo.	\$1 in benefits for every \$2 in earnings in excess of lower exempt amount.

The maximum social security benefit for a worker retiring at full retirement age is \$3,011 per month for 2020 and \$3,148 for 2021.



## Minimum Wage

Jurisdiction	Minimum Wage	Minimum Wage with Tips
Federal	\$7.25	\$2.13
Federal - Certain Government Contracts	\$10.95	—
Delaware, effective 10/1/2020	\$9.75	\$2.23
Delaware, effective 10/1/2021	\$10.25	\$2.23
New Jersey (Most Employers), effective 1/1/21	\$12.00	\$4.13
New Jersey (seasonal and fewer than 6 employees)	\$11.10	\$4.13
Pennsylvania	\$7.25	\$2.83

Full minimum wage information listed by state can be found at:

<http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx>

# 1099 Reporting Requirements

**New Changes for 2020:** Payments to Independent Contractors for non-employee compensation will now be reported on a 1099-NEC versus a 1099-MISC.

Clients are required to file Form 1099-NEC/1099-MISC if you have paid during the year to an unincorporated business, including LLC's, the following:

1. At least \$10 in royalties.
2. At least \$600 in rents, services, prizes & awards, and other income payments. Report only when payments are made in the course of your trade or business. Personal payments are not reportable.
3. At least \$600 in fees or gross proceeds paid to an attorney in connection with legal services.

## Exceptions are generally:

1. Payments made to a corporation (except in the case of gross proceeds or fees paid to an attorney).
2. Payments for merchandise, telephone, freight, storage, and similar items.
3. Payments of rent to real estate agents.

## Due dates for 1099's for the 2020 tax year are as follows:

- You must provide the recipient with their respective Form 1099 and you must file Form 1096 & the 1099's with the IRS by February 1, 2021.

**New Jersey Updates:** Beginning in 2020, New Jersey is mandating all W-2's, NJ W-3's, and 1099's to be filed electronically.

**Pennsylvania Updates:** Pennsylvania mandated a withholding requirement on all non-residents receiving over \$5,000 annually in non-employee compensation or rental payments. Payments must be paid online.





# Retirement Plan Benefits and Limits

Type			2020	2021
Traditional and Roth IRA contribution			\$6,000	\$6,000
Traditional and Roth IRA catch-up contribution			\$1,000	\$1,000
SIMPLE IRA and SIMPLE 401(k) salary deferral			\$13,000	\$13,500
SIMPLE IRA and SIMPLE 401(k) catch-up contribution (50 years old & above)			\$3,000	\$3,000
401(k), 403(b), 457(b), and SARSEP salary deferral contribution			\$19,500	\$19,500
401(k), 403(b), 457(b), and SARSEP catch-up contribution (50 years old & above)			\$6,500	\$6,500
SEP minimum compensation			\$600	\$650
SEP maximum compensation			\$285,000	\$290,000
Retirement Savings Contribution Credit Married filing jointly			\$665,000	\$66,000
Married filing separately and single			\$32,500	\$33,000
Head of Household			\$48,750	\$49,500
Roth IRA eligibility compensation	Married filing jointly	100%	\$196,000 or less	\$198,000 or less
		Partial	\$196,000 – \$206,000	\$198,000 – \$207,999
		None	\$206,000 or more	\$208,000 or more
	Married filing separately	Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
	Single/Head of Household	100%	\$124,000 or less	\$125,000 or less
		Partial	\$124,000 – \$139,000	\$125,000 – \$139,999
		None	\$139,000 or more	\$140,000 or more
	IRA deductibility compensation	Married filing jointly	100%	\$104,000 or less
Partial			\$104,000 – \$124,000	\$105,001 – \$124,999
None			\$124,000 or more	\$125,000 or more
Married filing Separately		Partial	Less than \$10,000	Less than \$10,000
		None	\$10,000 or more	\$10,000 or more
Single/Head of Household		100%	\$65,000 or less	\$66,000 or less
		Partial	\$65,000 – \$75,000	\$66,001 – \$75,999
		None	\$75,000 or more	\$76,000 or more
Annual addition/contribution limit under a defined contribution plan or SEP IRA			\$57,000	\$58,000
Annual benefit under a defined benefit plan			\$230,000	\$230,000
Compensation cap			\$285,000	\$290,000
Key employee definition			\$185,000	\$185,000
Highly compensated employee definition			\$130,000	\$130,000
Social Security (FICA) wage base			\$137,700	\$142,800



# New IRA and Roth IRA Contribution Rules

Taxpayers of all ages can contribute to traditional IRAs. The old rules stated that taxpayers already in traditional IRAs could not make contributions after age 70 ½.

Under the Secure Act, passed in December 2019, there is no longer an age restriction on making Traditional IRA contributions.

Also, for Roth IRAs, a taxpayer can be part of a 401k at your workplace and also contribute to a Roth IRA. Contributions to a Roth IRA must be made April 15, 2021. A timely extension of time to file does not give any more time to make the contribution for 2020.

## Federal & State Tax Filings and Payments for Business Taxpayers

### Electronic Federal Tax Payments

Electronic federal tax payments are **mandatory**.

All business tax deposits (Forms 941, 943, 944, 945 and 1120) are now required to be paid using Electronic Federal Tax Payment System (EFTPS). Form 8109, Federal Tax Deposit Coupon, will no longer be accepted by the IRS.

To enroll, you will need your taxpayer ID number (EIN) and your financial institution information, including routing number, account number, and account type.

To avoid being considered "late" on your payments, you must submit your payment no later than 8pm ET the day prior to the due date.

The IRS provides two options for electronic tax payments:

- EFTPS online: <https://www.eftps.gov/eftps/>
- EFTPS Voice Response System at 1-800-555-3453

### New Jersey Wage Taxes

All New Jersey tax payments and returns (NJ927, NJ927-W, NJ927-H and WR-30) must be remitted by electronic means.

The following website may be used for various NJ business tax payments:

<http://www.state.nj.us/treasury/taxation/online.shtml>

**NOTE:** Electronic transfers must be done one (1) day prior to the withdrawal from your account.



## New Jersey Annual Reports

Corporate Annual Reports must be filed electronically. Businesses will receive notification by mail of the filing requirements and instructions from the Division of Revenue.

The website for filing the Annual Report is: <https://www.njportal.com/dor/annualreports>

Annual report filing is a prerequisite for maintaining an active business status. In accordance with State law, businesses that fail to file annual reports for two consecutive years will be revoked.

The annual fees are:

- \$75 for profit corporations, LPs, LLPs, and LLCs
- \$30 for non-profits

Additional fees may apply to change a registered agent or office for the business.

## Pennsylvania

Pennsylvania provides two options for electronic payroll, corporation taxes, and sales and use tax payments:

1. TeleFile: **1-800-748-8299**
2. e-Tides: <https://www.etides.state.pa.us/>

**PA Cities:** All employers in Pennsylvania must withhold the earned income tax for individual cities, if applicable. To find your employees withholding rates by address use the link below or contact your payroll company: <https://munstats.pa.gov/public/findlocaltax.aspx>



## UNIFIED ESTATE AND GIFT TAX EXCLUSION AMOUNT

For gifts made and estates of decedents dying in 2021, the exclusion amount will be \$11.7 million per person, \$23.4 million for a married couple (up from \$11,580,000 in 2020). The federal gift limitation remains at \$15,000 per recipient per year without gift tax implications.

## NEW JERSEY'S NEW EARNED SICK LEAVE

New Jersey enacted the statewide earned sick leave effective October 29, 2018. This new law will allow New Jersey employees to earn/accrue up to 40 hours (five days) of paid sick and safe leave annually. Employers may require their employees to accrue leave at a rate of one hour per 30 hours worked. Alternatively, employers may choose instead to "front-load" their employees' sick and safe leave. Front-loading leave provides the entire amount of leave that an employee is entitled to, i.e. 40 hours annually, at the beginning of the year.

For more information, visit: <https://www.nj.gov/labor/worker-protections/earned-sick/>

## NEW JERSEY BUSINESS ALTERNATIVE INCOME TAX (BAIT)

New for 2020, Partnerships, S Corporations and Limited Liability Companies with two or more members will be able to deduct NJ income tax on their federal business tax returns in the year paid. This new law is highly complex and is NOT automatic as taxpayers must elect into the new tax regime. The election is made on or before the original due date of the return (the majority would be March 15, 2021).

The statutory rates for the new NJ BAIT are as follows:

Pass-Through Entity Income	Tax Rate
First \$250,000	5.675%
Amount between \$250,000 and \$1 million	6.52%
Amount between \$1 million and \$5 million	9.12%
Amount over \$5 million	10.9%

Please contact us to discuss your individual situation to see if this tax is something you want to elect into.

## NEW INDIVIDUAL INCOME TAX CHANGES FOR 2020 TAX RETURNS

1. Kiddie tax no longer taxed at Trust rates can be included on parent's tax return.
2. Taxpayers not itemizing deductions will be able to deduct \$300 in charitable contributions from adjusted gross income. This is for 2020 only.
3. Required Minimum Distributions (RMD's) for 2020 were effectively waived. Additionally, the age requirement for mandatory distributions has been changed from 70 ½ to 72 years old. Taxpayers already 70 ½ in 2019 must continue to take RMD's.

# 2021 Payroll Tax Rates

Jurisdiction & Tax Type	Employee Rate	Employer Rate	Limits, if any
<b>Federal</b>			
Federal Unemployment	N/A	0.60%	Maximum wages \$7,000 Maximum of \$42 per employee
FICA	6.20%	6.20%	Maximum wages \$142,800 Max deduction: \$8,853.60
Medicare	1.45% 0.09%	1.45% N/A	No wage base limit Additional tax on wages above \$200,000
Federal Income Tax	Based on Circular E	N/A	Rates vary (10% – 37%)
<b>New Jersey</b>			
NJ State Unemployment Workforce/S.W.F.	0.425%	Rates Vary (0.4% – 5.4%)	Maximum wages: \$36,200 Max employee deduction: \$153.85 Standard New Employer Rate is 2.8%
NJ Disability Rate	0.47%	Rates Vary (0.1% – 0.75%)	Maximum wages employee: \$138,200 Maximum wages employer: \$36,200 Max employee deduction: \$649.54 Standard New Employer Rate is 0.5%
NJ Paid Family Leave Rate	0.28%	N/A	Maximum employee wages \$138,200 Max employee deduction: \$386.96
NJ Income Tax	See Withholding Charts	N/A	Rates vary (1.4% – 8.97%) and 11.8% over \$1 million in taxable income
<b>Pennsylvania</b>			
PA State Unemployment	0.06%	Rates Vary (1.2905% – 9.9333%)	Maximum wages for employers \$10,000 New Employer Rate: 3.6890% (non-construction)
PA Income Tax	3.07%	N/A	
<b>Philadelphia</b>			
<b>Wage Tax:</b> Residents Non-Residents	3.8712% 3.5019%	N/A N/A	Effective July 1, 2020 through June 30, 2021 Effective July 1, 2020 through June 30, 2021







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