

Date: December 17, 2019
To: Bookkeepers & Business Managers, Pastors, School Administrators
From: Parish Accounting
RE: **2019 Year End Tax Information / 2020 Tax Changes**



This memo recaps required tax reporting for the 2019 tax year and 2020 tax changes. Please review, it's important that your location complies with Federal & State tax filing requirements!

Federal Tax Reporting Requirements for 2019 – Due January 31, 2020:

- Form W-2, *Wage and Tax Statement* to employees
- Form W-3, *Transmittal of Wage and Tax Statements* & Copy A of W-2s to the Social Security Administration (SSA)
- Form 941 for fourth quarter 2019 to the Internal Revenue Service (IRS)
 - Before issuing, ensure the 4 quarterly 941s agree with the W-3
- Annual Form 944/945, as applicable, to IRS
- Form 1099-MISC, *Miscellaneous Income* to all unincorporated contractors paid \$600 or more for services performed
 - An IRS Form W-9 needs to be on file for each independent contractor
 - Refer to the 1099 instructional memo for help. Contact Linda or Julie to review your QuickBooks to ensure all 1099 contractors are identified.
- Forms 1099-MISC & 1096, *Annual Summary and Transmittal of U.S. Information Returns* to the IRS
- Form W-2G, *Certain Gambling Winnings* to raffle prize winners (if not issued with prize).
- Forms W-2G & 1096 to the IRS

State Tax Reporting Requirements for 2019 – Due January 31, 2020

- Remit the final quarterly state tax payment.
- Complete the Annual Verification of State Payments (VSP)
- Iowa Sales Tax – Follow the State's instruction on paying the sales tax for your raffles and other events. If this has not been paid, pay now.
- Iowa Sales Tax Return, as required – follow the State's instruction. Work with the State on any other State reports that may need to be submitted if your location holds an event that requires a sales tax permit and/or gambling license.

State Tax Reporting Requirements for 2019 – Due February 15, 2020

- IRS W-2 forms **that contain Iowa withholding** are electronically filed to the Iowa Department of Revenue (IA DOR). Note that if one W-2 contains Iowa withholding, all W-2s are filed to the IA DOR. The due date for 2018 forms was January 31, however this has changed to February 15 for 2019 forms.

- **New this year:** Employers have the option to manually enter their W-2 information in eFile & Pay as opposed to creating the electronic file in QuickBooks. Refer to <https://tax.iowa.gov/w-2-key-send> for instructions.
- Do NOT remove Iowa withholding from employee paychecks to avoid the need to remit Iowa taxes and W-2s. If the Iowa W-4 election results in Iowa withholding, removing this is a violation of the employees' rights and of tax laws.
- Refer to the following instructions for how to electronically file these.
- Form 1099-Misc **that contains Iowa withholding** are electronically filed to the IA DOR.

2020 IRS Mileage Reimbursement Rate for Business Miles Driven: As of the date of this memo, a new rate for 2020 has not been issued. Continue with the rate of 58 cents per mile.

2020 State Withholding Tax Tables: The Iowa Department of Revenue issued updated income tax withholding tables for 2020. The amount of Iowa tax withheld from employees' paychecks beginning January 1, 2020 will decrease, thus increasing take home wages for individuals. New withholding formulas/tables are on-line <https://tax.iowa.gov/idr-issues-new-income-withholding-tax-tables-2020> along with a "Withholding Calculator" to help individuals calculate their 2020 withholding amounts. Employees can complete the Iowa W-4 to make changes to their withholding, the 2020 Iowa W-4 is on the diocesan website in the bookkeeper manuals, you can also find this on the tax.iowa.gov website. QuickBooks will incorporate these changes.

2020 Federal Withholding Tax Tables: The IRS will be issuing updated income tax withholding tables for 2020. Employees can complete the Federal W-4 to make changes to their withholding, the 2020 Federal W-4 is also on the diocesan website in the bookkeeper manuals, you can also find this on the irs.gov website. QuickBooks will incorporate these changes when then tables are available. Refer to this link for more info:
<https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2020>

Before the First Payroll of 2020:

- Install the latest payroll update and make sure your QuickBooks is on the latest release.
- Update employee information, such as employee SSNs, legal names and addresses.
- Ask employees to review and update federal and state W-4 withholding forms.
- Review and update any changes to your federal deposit and filing schedule.
- Review sick and vacation hours, including used and unused time.
- Ensure Medicare and Social Security is not withheld from priest paychecks.

Keep a copy of signed & dated tax forms for your file, note the date mailed on the copy.

Step-by-step instructions are attached for QuickBooks users. For assistance, contact:

Linda 712-233-7593 lindat@scdiocese.org

Julie 712-233-7515 juliem@scdiocese.org

Attachment
TIPS FOR PROCESSING W-2s and W-3s

QuickBooks Preparations

- If you are using QuickBooks 2017 or higher **with an updated tax table**, you can print government accepted black and white laser W-2s and W-3s **on plain paper** directly from QuickBooks.
- Ensure each employee's name, address, social security number, and retirement eligibility information is correct in QuickBooks so the W-2 will print properly. (*Employee Center*)
- In the employee record, payroll info tab, tax tab - make sure both the federal **and state** tax tabs are complete. **We frequently see the state worked marked as "none", this is not correct.** For the state, Iowa must be selected as the state worked and IA as the state subject to withholding. Also, the SUI box is not marked as state unemployment does not apply.
- **Download Payroll Updates** before preparing tax forms. In QuickBooks choose Employees, then Get Payroll Updates. Click update to get complete instructions. **Also download before running your first 2020 payroll.**
- **You should not have paid stipends for food, retreats or mileage. If you did, these may be taxable on the W-2.** Please call us for assistance with this.

Preparing the W-2s/W-3 in QuickBooks

- Select Employees – Payroll Tax Forms & W-2s – Process Payroll Forms – In the File Forms tab double-click on Annual Form W-2/W-3-Wage & Tax Statement to select it.
 - Select the Auto-Fill Contact info field and ensure your name, title, and business phone is listed in the Primary Signature field. Select OK.
 - Ensure the filing period year is 2019. Select OK.
 - The screen will appear “Select Employees for Form W-2/W-3. All will be marked. Select Review/Edit.
 - Step 1: Forms W-2 and W-3 interview will appear. This provides important dates to mark on your calendar and instructions. Select Next.
 - This is page 2 of the Interview. This information should automatically populate.
 - If you have full time employees with 401K, select “Yes” to special situations. In these employees’ records, the “eligible for 401K” box should be marked.
 - Note that you do **NOT** have any statutory employees
 - A control number is not necessary. Select Next.
 - The employee list with special situations will appear. Verify, select Next.
 - Carefully review each employee W-2 for reasonableness and accuracy selecting the Next button to move from employee to employee.
 - **Ensure the priest does not have Medicare or Social security withheld.** If the priest had federal or state withholding, verify this tax appears on the W-2.
 - If the priest had supplemental life, this should appear as an “after tax” deduction NOT pre-tax.
 - **Ensure the state tax ID, wages and income tax appear in fields 15 to 17.**
 - When complete Select Check for Errors. If errors, complete the corrections noted in the instruction. If none, select Close Errors. Call for assistance.

- When ready to print select Submit Form. Unmark the box “Provide employees with secure, online access to their W-2 forms. Select Print. Select items to print.
 - First under “For employees” Print the W-2 forms – Copies B, 2 and C.
 - Next under “For employees” Print the employee filing instructions
 - Under “For employer” Print the W-2, Copy D for your records, noting there will be 2 employees on each page.
 - Next under “For employer” Print the Employee filing instructions (& review).
 - Then under “For government”, first print the W-3, next the W-2 Copy A for the SSA (noting there are 2 per page). It’s not necessary to print for the State.
- Before issuing the W-2s, check them against the payroll summary in QuickBooks, “*Reports*”, “*Employees & Payroll*”, “*Payroll Summary*”, enter calendar year dates.
- Before issuing, also perform the below comparison of the quarterly 941 forms to the W-3.
- Keep a signed copy of the W-3 for your records, write the date mailed on the form.

Issuing W-2s Electronically to the State

- This is required if your location has W-2s with Iowa withholding, if so all need to be filed.
- The W-2 file that needs to be submitted to the State can be created in QuickBooks. Refer to the State W-2 and 1099 memo for this detailed instruction.
- **New this year:** As noted in the memo, employers have the option to manually enter W-2 information in eFile & Pay as opposed to creating the electronic file in QuickBooks. We only recommend this if you have a few W-2s that need to be remitted. If you elect this option, go on-line to <https://tax.iowa.gov/w-2-key-send> for step by step instructions.

Reconciliation of Quarterly 941 to W-3:

The four quarterly 941s need to agree with the W-3 before issuing the W-2s, W-3 & final 941:

- Wages, tips and other compensation: The sum of line 2, Form 941 amounts for the four quarters should equal the amount in Box 1, Form W-3.
- Social Security wages: The sum of Line 5a (column 1), Form 941 amounts for the four quarters should equal the amount in Box 3, Form W-3.
- Medicare wages and tips: The sum of Line 5c (column 1), Form 941 amounts should equal the amount in Box 5, Form W-3.
- Note: Medicare and taxable wages on lines 5a and 5c of the 941 are the sum of the Adjusted Gross Pay from the payroll summary in QuickBooks, plus the total employee 401K, plus wellness, plus supplemental life, less priest salary.
- Federal income tax withholdings: The sum of Line 3, Form 941 amounts for the four quarters should equal the amount in Box 2, Form W-3.
- State wages: All W-2’s must include state wages in Box 16.
- On the W-3, employee deferred 401K in Box 12 plus wages in Box 1 (less any priest wages) must equal Social Security and Medicare wages reported in Boxes 3 and 5.
- Federal wages reported in Box 1 must equal state wages reported in Box 16.

Quarterly 941/Annual 945

- Your fourth quarter 941 or 945, as applicable is due January 31, 2020. **Issue the employee W-2s in early January.** Allow a week or two to determine if changes are needed. Ensure the four quarterly 941s agree with the W-3 before issuing (as noted above).
- Keep a signed copy of your 941s or 945, as applicable, note the date mailed on the form.

Attachment
TIPS FOR PROCESSING ANNUAL VSP

Annual Verification of State Tax Payments (VSP)

This needs to be completed to verify accuracy of the total state withholding that was paid. On the Iowa Department of Revenue website, select eFile & Pay.

- Enter your 8 digit BEN #. Enter 0001 and your password.
- Click on Withholding (Your Permit Number appears). Click Continue.
- Click View E-payments, the amount paid the state should match your state report in QB.
- Click File Annual VSP Report; January 1 to December 31, 2019.
- Enter the total of the Iowa withholding on your W-2's. Next, enter your total payments to state. Click Calculate & Continue.
- Verify the total is accurate and Click SUBMIT.

See <http://www.payroll.intuit.com/support/yearend/index.jsp> for more payroll info.

Other State Reports (e.g., annual sales tax report, annual gambling report...)

- You will need to work with the state if you need assistance in filing these to ensure they are completed properly.

TIPS FOR PROCESSING 1099s and 1096s

IRS Filing Requirements for the 1099

File Form 1099-Misc for each contractor (individual, sole proprietor, partnership...):

1. To whom you have paid at least \$600 in services (**including parts and materials**) in the calendar year (Box 7-Non-employee compensation). Examples:
 - Extra clergy that provide coverage in the pastor's absence (exclude mileage)
 - Musician services, e.g., non-employee cantors, organists
 - Religious education catechists that receive stipends
 - Snow removal, mowing and grounds maintenance, church, school and other building (interior and exterior) and property repairs
 - Professional services, e.g., bookkeeping/accounting, computer tech support....
 - Other contracted services, e.g., non-employee cleaning/janitorial...
2. That is not incorporated.
 - **You should have an IRS W-9 on file for each contractor that you do business with to support the legal business name, tax status, TIN/SSN...**
3. The 1099 is also required if at least \$600 in rents (box 1)
4. The 1099 is also required if at least \$600 in legal services paid to an attorney (even if a corporation) (box 7).
5. Nonemployee compensation **must be reported in box 7.**

Note: Employees do not receive 1099s. All earnings must be reported on the W-2. If employees were paid bonuses or other amounts that are at least \$600 "outside of payroll", they need a 1099 and should be paid via payroll going forward. Example, the principal is also a coach, the coaching pay is included on his/her paycheck with the applicable taxes applied.

Attachment
TIPS FOR PROCESSING 1099s and 1096s

QuickBooks Preparations

Pre-printed IRS 1099 and 1096 forms are required to be used when printing the IRS 1099s and 1096. Forms downloaded from the IRS website cannot be used.

- Please review all payments in QuickBooks to ensure you have properly identified all independent contractors required to receive a 1099 and the amount shown on the 1099 is correct. Don't assume if the contractor does not appear, a 1099 is not needed. You may have incorrectly set up the vendor or preference in QuickBooks. Please call for help.
- Refer to our *1099 Instruction* memo on www.scdiocese.org in the Bookkeeper Manuals for assistance identifying contractors, instructions on setting up the vendor record in QB, and step by step instructions for preparing the 1099/1096 forms for independent contractors.
 - This also includes instructions for issuing the W-2G and 1096 forms.

W-2G/1096

If your parish or school held a raffle and cash prizes of \$600 or more were issued you must give the winner a W-2G and withhold state taxes, if \$5,000 or more you must withhold both federal and state taxes. The W-2G forms were to be issued at the time the money was paid to the winner. If you did not provide a W-2G at that time, you will need to issue it to the winner(s) before January 31, 2020. Also send Copy A of W-2G along with the 1096 to the IRS.

Refer to the IRS website at www.irs.gov for further guidance.