



FUBA iSSUES

Florida United Businesses Association

OUR BUSINESS IS SMALL BUSINESS

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UNEMPLOYMENT TAX UPDATE

If we have an email address on file for you, we sent you an e-alert in early February explaining that your state unemployment taxes are set to dramatically increase for 2012. We asked you to help us by contacting your local legislators and the Governor and asking for relief from this huge tax increase. Thank you to all those FUBA members who took the time to send emails on this important issue.

Good news: Your emails worked! As this edition of ISSUES went to press, the Florida Legislature is set to approve a bill (Senate Bill 1416/House Bill 7027) that will cut this tax increase in half. Taxes for businesses that are at the minimum unemployment tax rate were scheduled to increase from \$72.10 per employee to \$171.70 per employee per year. If this new proposal is approved by the full Legislature, taxes for those at the minimum rate will increase to \$121.60 per employee, which is a savings of \$50.10 per employee. Businesses that pay the maximum tax rate of 5.4% will see their taxes increase from \$378 per employee to \$432 per employee, an increase of \$54 for each employee.

Taxes for the first quarter of 2012 are due by April 30th. Businesses use a tax return called the Employer's Quarterly Report (UCT-6) to report the wages they paid for a quarter and to pay the taxes on those wages. If you have 10 or more employees, you have to file your UCT-6 and pay your taxes electronically. If you do not file electronically, the Florida Department of Revenue will mail you a UCT-6 in the month of March.

Also, you should have already received a tax assessment notice for an interest payment that is due by June 30, 2012. Because our state Unemployment Compensation Trust Fund

has had to borrow money from the federal government to pay benefits, Florida employers have to pay a proportionate share of the interest on the loans through a special annual assessment. You should make this separate payment with the coupon that the Department of Revenue sent you to ensure you get proper credit for your payment.

When the Legislature officially approves this unemployment tax relief, it will affect the taxes you will pay for the first quarter. We will send an e-alert to those members we have email addresses for. If you would like to receive our e-alerts, all you have to do is email us at fuba@fuba.org and ask to be on our e-alert list. If you have questions about your unemployment taxes, please call the FUBA offices at 800-262-4483 and ask for Karen or Lance.

PAYROLL TAX CUT EXTENDED THROUGH THE END OF 2012

The 2% federal payroll tax reduction for employees that has been in effect since January 2011 has been extended through the end of 2012. Through the end of this year, the social security tax withholding rate will continue to be 4.2%. Please note: The employer's share for social security remains unchanged and is still 6.2%.

Self-employed individuals also received a comparable rate reduction in the social security portion of the self-employment tax, which is reduced from 12.4% to 10.4%.

For 2012, the social security tax applies to the first \$110,100 of wages and the same amount of net self-employment income received by a self-employed individual.

The Internal Revenue Service (IRS) has released an updated version of Form 941, which will

allow employers to properly report the extended tax cut on wages paid for 2012.

Federal law requires you, as an employer, to withhold taxes from your employees' paychecks. Each time you pay wages, you must withhold – or take out of your employees' paychecks – certain amounts for federal income tax, social security tax and Medicare tax. As an employer, you are also required to pay the employer's portion of social security and Medicare taxes on all wages paid to your employees. The employer's share of social security and Medicare taxes cannot be withheld from your employees' paychecks. You must remit to the IRS the employer's share of these taxes, along with the taxes withheld from your employees. Under the withholding system, taxes withheld from your employees are credited to your employees towards payment of their tax liabilities.

You should use IRS Form 941 to report the following:

- Wages paid to your employees.
- Tips your employees have received.
- Federal income tax you withheld from employees' paychecks.
- Both the employer's and the employee's share of social security and Medicare taxes.

You must file a Form 941 each quarter, even if you have no taxes to report, unless you are filing your final return or you have seasonal, household or farm employees. You file Form 941 only once each quarter, and it is due by the last day of the month following the end of each quarter. For example, you would report the wages you paid during the first quarter of 2012 – which is January through March – by April 30th.

The IRS uses two different sets of deposit rules to determine when businesses must deposit their social security, Medicare and withheld federal income taxes that are reported on Form 941. These schedules tell you when a deposit is due after you have a payday.

Your deposit schedule is not determined by how often you pay your employees. Your deposit schedule depends on the total tax liability you reported on Form 941 during the previous

4-quarter lookback period (starting June 30th of last year and going back to July 1st of the year before that).

Before the beginning of a calendar year, you should determine which type of deposit schedule you must use. If you reported \$50,000 or less in taxes during the lookback period, you are a monthly schedule depositor. If you reported more than \$50,000, you are a semiweekly schedule depositor. If your total taxes are less than \$2,500 for the current quarter, you don't have to make a deposit. You can pay the amount in full with a timely-filed Form 941.

For more detailed information, please consult your local tax professional, or see section 11 of IRS Publication 15 (Circular E) at **IRS.gov**.

DO YOU DO BUSINESS WITH THE STATE OF FLORIDA?

In response to new mandates by the federal government and the Internal Revenue Service (IRS), the State of Florida has initiated a web-based Substitute Form W-9 that allows vendors to register and submit their electronic Substitute Form W-9. The Form W-9 ensures that the state's vendor records are up-to-date, which results in accurate tax reporting as required by the IRS.

A completed Substitute Form W-9 is required from any entity that receives a payment from the State of Florida that may be subject to 1099 reporting. The Department of Financial Services (DFS) must have the correct Taxpayer Identification Number (TIN) and other related information in order to report accurate tax information to the Internal Revenue Service (IRS) and determine if a vendor should receive a Form 1099. Failure to provide a Substitute Form W-9 will result in certain payments being subject to Backup Withholding.

Effective March 15, 2012, vendors who do not have a verified Substitute Form W-9 on file may experience delays in processing purchase orders or payments from the State of Florida.

To ensure your business has a verified Substitute Form W-9 on file, please visit flvendor.myfloridacfo.com to register and complete your Substitute Form W-9.