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SSA/IRS

# Reporter

Fall 2019

A Newsletter for Employers

## IRS Launches New Tax Withholding Estimator

The IRS recently launched the new [Tax Withholding Estimator](#), an expanded, mobile-friendly online tool designed to make it easier for everyone to have the right amount of tax withheld during the year.

The IRS renewed its effort to encourage employers to urge their employees to review their tax withholding or estimated tax payments and make any needed adjustments as soon as possible.


This is especially important for taxpayers who faced an unexpected tax bill or a penalty when they filed this year. While conducting a tax withholding review is a good idea any year, the IRS also encourages taxpayers who have a change in life circumstances to do a [Paycheck Checkup](#). Personal changes that may affect taxes include marriage or divorce, birth or adoption of a child, or the 'aging out' or loss of a dependent.

The Tax Withholding Estimator replaces the Withholding Calculator. The Withholding Calculator offered workers a convenient online method for checking their withholdings. The new Tax Withholding Estimator offers workers, as well as retirees, self-employed individuals and other taxpayers, a more user-friendly step-by-step tool for effectively tailoring the amount of income tax they have withheld from wages and pension payments. The new Withholding Estimator is now able to include self-employment income and can calculate the taxable portion of any Social Security benefits.

New and improved features include:

- The use of clearer language to explain how to use the tool.
- The ability to more effectively target at the time of filing either a tax due amount close to zero or a refund amount as well as a new progress tracker to help users see how much more information they need to input.
- The ability to move back and forth through the steps, correct previous entries, and skip questions that do not apply.
- The helpful tips and links to assist the user quickly determine if they qualify for various tax credits and deductions.
- The mobile-friendly design.

Employees can use the results from the IRS [Tax Withholding Estimator](#) to determine if they should complete a new [Form W-4](#) or an Employee's Withholding Allowance Certificate. Employees submit the completed Form W-4 to their employer, not the IRS.

Those who need to adjust their withholding should do so as soon as possible. Workers whose income is not subject to tax withholding should be prepared to pay tax throughout the year. The IRS offers numerous ways to make estimated tax payments such as electronic online payments, by phone, in person cash payments, and by check or money order via mail. See [Form 1040-ES](#) for a complete list of options. 

## Utilizing and Enhancing Employees' Skill Sets Can Help the Community

Looking for a way to provide positive action in the community? What about providing an opportunity to develop employees' skills? Employers can accomplish both by encouraging employees to join the IRS's Volunteer Income Tax Assistance (VITA) program.

The VITA program offers free tax preparation for low to moderate income taxpayers, as well as persons with disabilities and limited English-speaking taxpayers. VITA locations are in community centers, libraries, schools, and even places of business. VITA volunteers receive free training to become IRS-certified tax preparers.

Established in 1969, the VITA program is celebrating its 50th anniversary this year. Each year thousands of volunteers help millions of taxpayers receive the tax credits and refunds they deserve. Taxpayers can use tax refunds to pay down debts, save for the future, and support businesses in their community. Employees can play a vital role in this tried-and-true program.

While it is great if employees would like to volunteer on their own, they might be more comfortable if they work in teams. Volunteers can build camaraderie with their colleagues when they volunteer, learn about finances, and improve their customer service skills while helping those in need of assistance. If employees volunteer together as part of a coordinated effort, it can be a great way for any organization to gain visibility in the community while providing a much-needed service.

There is also the option as an employer to become a VITA partner. Employers can sponsor special tax preparation days in the community, host special tax prep sessions just for employees, or even operate a VITA site during the filing season.

If employees are interested in volunteering, encourage them to check out the [IRS Tax Volunteers](#) page on IRS.gov for more information on the VITA program and volunteering. If employers want to become a VITA partner, find more information and sign up here. [IRS](#)

## SSA To Mail No-Match Letters to Paper Filers in September/October

**The Social Security Administration (SSA) resumed the mailing of revised Educational Correspondence Employer Correction Request (EDCOR) (i.e. "no-match") letters to improve the accuracy of the wage reporting process. The SSA mailed letters to electronic W-2 filers in March/April of this year. In late September 2019, the SSA mailed out letters to paper W-2 filers.**

**The SSA uses wage information to determine eligibility for, and the amount of, Social Security benefits that a worker and his or her spouse or dependents may receive upon applying for benefits. If the SSA cannot match the name and Social Security Number (SSN) reported by the employer on a Form W-2 to its records, earnings cannot be correctly**

**credited to the employee's record. This may cause errors to the employee's benefits.**

**These revised letters notify employers of the discrepancy. They also include step-by-step instructions to the employer for viewing and correcting these inconsistencies online. This helps to improve the accuracy of future wage reports, and further educates employers about the free suite of SSA online services available via [Business Services Online \(BSO\)](#).**

**For more information about the EDCOR letters, including sample letters, FAQs, and instructions on how to use BSO, visit the [EDCOR webpage and access Employer Correction Request Notices](#). [SSA](#)**

## IRS Working to Combat Tax Scams

**T**he IRS would like the public's help in identifying promoters of "too good to be true" abusive tax scams and tax preparers using illegal scams to avoid paying taxes.

Abusive tax scams harm the federal government and taxpayers victimized by these scams.

Taxpayers should be suspicious of generous promotions because tax scammers use these tactics to deceive taxpayers. Taxpayers duped by scammers could face more taxes and substantial penalties and interest fees.

Taxpayers should use the [Report Suspected Abusive Tax Promotions or Preparers](#) form to make a referral to the IRS (now available in Spanish and Mandarin). Learn more at <https://www.irs.gov/scams>.

It is best for all taxpayers to file and pay their federal taxes on time. If a taxpayer cannot pay the full amount due, they should

consider one of the payments agreements the IRS offers. These include:

- An agreement to pay within the next ten days.
- A short-term payment plan to pay within 11-120 days.
- An installment agreement to pay the balance due in monthly payments.

**Note:** Businesses owing \$25,000 or less from the current and prior calendar year who can pay the amount within 24 monthly payments may use the online application. [IRS](#)



# Understanding Supplemental Wages and Federal Taxation Rules

## What are supplemental wages?

Supplemental wages are payments to an employee that include:

- bonuses, commissions, overtime pay,
- accumulated sick leave payments, severance pay,
- awards, prizes,
- back pay, retroactive pay increases,
- and nondeductible moving expense payments.

Other payments subject to supplemental wage rules include taxable fringe benefits and expense allowances paid under nonaccountable plans.

The best way to determine a supplemental wage is the time frame for the payout. Labor laws require employers to pay employees wages within a specified period after performing employment services. These payments are regular pay. Supplemental wages are not subject to the same time constraints. For example, employers can pay an earned 2019 first quarter bonus in the third quarter.

## How should employers calculate withholding of supplemental wages?

Under the Tax Cuts and Jobs Act (TCJA), the optional flat rate on supplemental wages up to \$1 million in a taxable year changed to 22 percent (with no other allowable percentage). The mandatory flat rate on supplemental wages exceeding \$1 million in a taxable year is 37 percent. Medicare and Social Security taxes remain at the same rate as regular pay.

There are two methods to calculate supplemental wage taxes that payroll departments and employers should consider carefully. When paying supplemental wages in the same paycheck as regular pay and combined on payroll records, the income tax is the same as regular pay, using the employee's Form W-4 (aggregate method).

Conversely, the employer can withhold taxes at the optional flat supplemental rate (percentage method). If paid or stated supplemental wages are separated in payroll records, the employer can withhold taxes using the percentage method. Employers can calculate the withholding amount by subtracting what would have

been withheld from the employee's regular wages. This can make a significant difference to employees.


For example, a single taxpayer pays 22 percent in taxes on earnings of \$39,475. The tax rate on regular income between \$9,700 and \$39,475,00 is 12 percent. This means that an employee earning \$35,000 could pay a rate on supplemental wages (22 percent) that is almost twice as high, although they will receive any amount withheld more than their actual tax liability when they file their personal income tax return.

## How are fringe benefits considered?

Employers must consider TCJA changes regarding nontaxable fringe benefits when applying the supplemental wage withholding rules. In favor of a larger standard deduction, Congress eliminated some nontaxable fringe benefits. For example, commuter benefits still apply for parking and public transportation, but the act eliminated the bicycle benefit. The act also eliminated moving expenses except for active duty service members. As a result, employers must understand that these are taxable benefits and subject to the supplemental wage withholding rules.

The federal vacation pay and tips tax rules can also be confusing. Normally, vacation pay is part of regular pay and tax withholding is the same as regular wages. However, sometimes vacation payments are in addition to regular wages. When this occurs, employers must consider vacation pay as supplemental wages and calculate accordingly. Reported tips are treated as supplemental if they are paid in addition to wages, but the employer has the option of taxing them as regular wages.

Employers can find more information on supplemental wages and taxation in IRS Notice 1036 and Publication 15-A, Employer's Supplemental Tax Guide (be sure to check state tax rules when considering supplemental wages and taxation).

This article was written by the American Payroll Association (APA). For more information on APA, go to [www.americanpayroll.org](http://www.americanpayroll.org). 

# The IRS Issues Backup Withholding CP2100 or CP2100A Notices to Payers. Understanding Your CP2100/2100A Notice

## What are these notices about?

These notices let payers know backup withholding may need to begin for some payees-taxpayers. The payer may be responsible for backup withholding because a taxpayer identification number (TIN) is missing or there are incorrect name/TIN combinations.

The notices have a listing of missing, incorrect, and/or not currently issued payee TINs. Large volume filers will receive a CD or DVD data file CP2100, mid-size filers receive a paper CP2100, and small filers receive a paper CP2100A.

## What does a payer need to do?

Read the notice carefully (It explains the information the IRS received and how it affects payer information tax return(s) filings).

- Compare the listing(s) with the payer records.
- Begin backup withholding immediately for missing TINs and continue until the TIN is received (The payer must make up to three solicitations for the TIN: initial, first annual, second annual).
- Compare the accounts on the listing with the business records for incorrect TINs (If an account does match, it could be the result of

payee providing payer updated information prior to receiving the listing, a clerical error in the information the payer submitted, or an IRS processing error where the payee name and/or TIN combination on the listing is different than what the payer reported).

- ▶ In these situations, the only thing the payer should do is correct or update account records. The payer does not need to call or write to the IRS to say that a correction was made, or that the records were updated.
- ▶ Make up to three solicitations for the payee to provide the payer with their correct TIN (initial, first annual, second annual) if the account matches with the incorrect TIN(s).

- Contact the IRS with any unanswered questions or if more time is needed to respond to the notice.
- Keep the notice for three years.

For more information, refer to: [Publication 1281 \(PDF\)](#). 

# Taxpayers can schedule estimated and other tax payments in advance with free electronic options

Individual taxpayers can pay their 2019 estimated tax payments electronically any time before the end of the tax year. Most taxpayers make estimated tax payments in equal amounts by the four established due dates. The one remaining due date for tax year 2019 estimated taxes is due Jan. 15, 2020. The IRS provides two free electronic payment options so taxpayers can schedule their estimated and other federal tax payments up to 30 days in advance. The two payment options are Direct Pay or up to 365 days in advance, and the Electronic Federal Tax Payment System (EFTPS).

IRS Form 1040-ES, Estimated Tax for Individuals, includes instructions to help taxpayers figure and pay their estimated taxes. They can also visit [IRS.gov/payments](https://www.irs.gov/payments) to explore options to pay online, by phone, or with their mobile device utilizing the [IRS2go app](#).

Direct Pay and EFTPS are both free payments options, and taxpayers can schedule their payments in advance as well as receive email notifications regarding payment.

IRS Direct Pay allows individual taxpayers to pay from their bank account for free. There is no need to register ahead of time, payments are made online in five easy steps. Taxpayers can schedule their estimated and other individual tax payments up to 30 days in advance. They may opt in to receive email notifications about their payment each time they schedule a payment with Direct Pay.

The EFTPS allows individual and business taxpayers to pay their federal taxes electronically online, or by phone using the EFTPS Voice Response System. They must be enrolled to use EFTPS. Taxpayers can enroll online at [www.EFTPS.gov](https://www.EFTPS.gov) and will receive their personal identification number (PIN) via U.S. Mail in five to seven business days.

Through the EFTPS, taxpayers can schedule their tax payments up to 365 days in advance. Now is a good time to schedule the June estimated tax payment for individuals, and the remaining estimated tax payments due for tax year 2019 as well. Taxpayers can easily keep track of these payments by opting in for email notifications when they enroll, or make updates after their enrollment for EFTPS.

The IRS continues to caution taxpayers on [email schemes](#). Taxpayers will only receive an email from Direct Pay or EFTPS if they requested the service.

Once taxpayers opt in for email notifications, they could receive email messages that show:

- payment scheduled,
- payment cancellation,
- return of a payment,
- reminder for a scheduled payment,
- payment modified,
- address change confirmation.

Whether taxpayers have tax withholdings, make estimated tax payments, or some combination of the two, the IRS encourages everyone to use the IRS Tax Withholding Estimator to perform a quick "paycheck checkup", and to visit [IRS.gov/payments](https://www.irs.gov/payments) to pay electronically anytime. This is especially important following the changes to the tax law for 2018 and beyond.

Here are links to help taxpayers find the information they need:

- [IRS.gov/payments](https://www.irs.gov/payments)
- [IRS.gov/account](https://www.irs.gov/account)
- [Publication 5034, Need to make a tax payment?](#) 

## Ready for Less Paper?


The federal Office of Child Support Enforcement (OCSE) offers organizations a variety of online applications to help payers meet their responsibilities.

The OCSE Child Support Portal provides a central location for organizations to:

- update addresses, subsidiaries, points of contact, and supplemental information
- report employee terminations or that the person never worked for you
- notify nearly all states at one time about upcoming lump sum payments

Employers with employees in more than one state can also register to report all new and rehired employees to a single state where the employees work.

How can employers access the Portal? Contact the OCSE Employer Services team ([employerportal@acf.hhs.gov](mailto:employerportal@acf.hhs.gov)) for a demonstration or to begin the registration process.

Employers who are receiving child support orders electronically can learn more about automating the Income Withholding for Support (IWO) form and making the process convenient, accurate, and fast with electronic income withholding orders (e-IWO). They can contact the OCSE e-IWO team ([eiwomail@acf.hhs.gov](mailto:eiwomail@acf.hhs.gov)) for more information or to begin the registration process. 



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