



IRS Nationwide
TaxForum

| 2018

**Tax Reform Highlights
for Employers**



IRS

Tax Forum

IRS Nationwide

2018

Employer Credit for Paid Family and Medical Leave

- This is a new non-refundable general business credit that will be reported on Form 3800
- A new form will compute the credit that will flow to Form 3800
- Partnerships and S Corps will report the credit on Schedule K
- Instructions and a computational worksheet are being created to assist in determining the credit



IRS

Tax Forum

IRS Nationwide

2018

Employer Credit for Paid Family and Medical Leave

- The credit is based on wages paid to qualifying employees while on family and medical leave in taxable years beginning after Dec. 31, 2017, and it is not available for taxable years beginning after Dec. 31, 2019



IRS

Tax Forum

IRS Nationwide

2018

Employer Credit for Paid Family and Medical Leave

- Employers must have a written policy in place that meets certain requirements, including providing:
 1. At least two weeks of paid family and medical leave (annually) to all qualifying employees who work full time (prorated for employees who work part time), and
 2. The paid leave is not less than 50% of the wages normally paid to the employee



IRS

Tax Forum

IRS Nationwide

2018

Employer Credit for Paid Family and Medical Leave

- The credit is 12.5% of wages paid to a qualifying employee while on family and medical leave
- The credit is increased by .25% for each % point by which the amount paid exceeds 50% of the employees wages (max of 25%)
- The credit is limited to 12 weeks per taxable year per employee



IRS

Tax Forum

IRS Nationwide

2018

Employer Credit for Paid Family and Medical Leave

Qualifying Employee

- Employed for one year or more
- To qualify in 2018, the employee must not have earned more than \$72,000 in 2017
- The deduction for wages must be reduced by the amount of the credit



IRS

Tax Forum

IRS Nationwide

2018

Employee Achievement Awards

- Employees can exclude from wages if the awards constitute tangible personal property
- Employers may deduct these awards subject to certain limitations
- This definition is consistent with the tangible personal property definition set forth in proposed regulations section 1.274-8(b)(2) issued by the IRS in 1989; as such, IRC § 274(j) codifies existing law



IRS

Tax Forum

IRS Nationwide

2018

Employee Achievement Awards

Tangible personal property does not include:

- Cash or cash equivalents
- Gift cards, gift coupons or certificates
- Tickets to theaters or sporting events
- Vacations, meals, lodging, stocks, bonds or similar items



IRS

Tax Forum

IRS Nationwide

2018

Qualified Transportation Fringe Benefits

- These benefits are still excluded from an employee's income
- However, the expenses associated with the benefits are no longer deductible by the employer for amounts paid or incurred after Dec. 31, 2017
- Applies to reimbursements and in-kind benefits as well as expenses for an employee's commute (safety exception)
- For tax-exempt employers, amounts paid or incurred for non-deductible benefits increase unrelated business taxable income



Bicycle and Moving

- Employers must now include bicycle commuting reimbursements in the employee's wages
- Bicycle commuting reimbursements are still deductible by the employer through 2025
- From 2018 through 2025, moving expense reimbursements are included in the employees wages with an exception for members of the U.S. Armed Forces (criteria apply)



IRS

Tax Forum

IRS Nationwide

2018

Supplemental Wages

- Definition of supplemental wages
- Under the new law, the optional withholding rate on supplemental wages was lowered to 22% starting in 2018
- If withheld at a higher rate, employers may, but are not required to, repay the excess prior to Dec. 31 and file a Form 941-X



Qualified Equity Grants

- The Tax Cuts and Jobs Act added IRC § 83(i) for qualified equity grants
- The law also added new Form W-2 reporting requirements for these grants
- Instructions for Form W-2, box 12 reflect the changes made under IRC § 83(i)

*See P.L. 115-97, section 13603 for more information



Qualified Equity Grants

Form W-2, box 12 instructions:

Code GG: income from qualified equity grants under IRC § 83(i); report the amount includible in gross income from qualified equity grants under IRC § 83(i)(1)(A) for the calendar year

Code HH: aggregate deferrals under IRC § 83(i) elections as of the close of the calendar year; report the aggregate amount of income deferred under IRC § 83(i) elections as of the close of the calendar year



IRS
Tax

Forum
IRS Nationwide

2018

Emerging Employment Tax Issue

Wellness Benefits

- Many employers, health insurers and unions provide employees with wellness plans or programs that are designed to promote the health of the employees
- Employer wellness programs often provide employees with rewards for taking certain actions intended to promote health



IRS

Tax Forum

IRS Nationwide

2018

Emerging Employment Tax Issue

- If the rewards are limited to section 213 medical expenses then usually they would not be wages subject to employment taxes
- An example is where the employer places a limitation on a gift card such that it may only be used for a section 213 medical expense, e.g. prescription medications



Tax

Forum

IRS Nationwide

2018

Emerging Employment Tax Issue

- Some employers offer a wellness arrangement where they require the employee to pay a pre-tax premium (similar to a health plan premium through a cafeteria plan) and then, within the same pay period, reimburse the employee for almost the entire pre-tax premium
- Under existing law in IRC § 105 and 106, the amount of the reimbursement in this arrangement is wages subject to employment taxes



Tax Forum

IRS Nationwide

2018

Questions?



Tax Forum
IRS Nationwide

2018

Resources

- [IRS.gov/TaxReform](https://www.irs.gov/TaxReform)