

## FEDERAL NEWS

### NEW FORM W-4 COMING FOR 2020



**Background:** By May 31, the IRS promises to release a Draft Version of next year's W-4 for public comment, with the final version to be released by July 31. Last year the payroll community raised concerns that the new form brought increased complexity, privacy concerns and added burdens on employers as well as not allowing enough time to reprogram systems. By September 2018, the IRS agreed to hold off publishing a revised form until this year, with the intention of it being in effect for tax year 2020. Meanwhile, the 2019 Form W-4 continues to rely on personal allowances based on exemptions which are not always accurate given the federal withholding changes included in the Tax Cut & Jobs Act (TCJA) passed in December 2017.

**What's Coming:** In late March 2019, early drafts of the new form were released to a select few. The new form is designed to better incorporate the changes of the TCJA, but it is expected to be very complex for the average employee. It is estimated that the new W-4 will take an hour to complete and further complicate the new hire process for employers. Also, dollar amounts for items such as spousal income, nonwage income from dividends & interest, expected tax credits, and itemized deductions are likely to be required. The IRS claims that providing these dollar amounts, if accurate, will guarantee proper withholding while the payroll community cites the same concerns as last year: an employee may not want to share personal information with the employer or have the necessary documentation readily available to complete the form. A delay of the final release could make it difficult for payroll systems to be reprogrammed.

**What You Can Expect:** Because the final version will not be released until late July (at the earliest), payroll systems will most likely need to account for two withholding methods: one to figure withholding based on the old allowances method and one developed to exclude allowances and rely on calculations from employee provided dollar amounts. Either way, employers will have an increased burden, including having to enter additional data while onboarding employees to their systems, educating new hires, allowing more time for employees to complete the W-4, etc. At this time, it is unknown if all existing employees will need to complete a new W-4 for 2020.

We want you to be aware that a significant change is coming. PROXUS will keep you up-to-date on new developments throughout the summer months.

## STATE & LOCAL NEWS

[Paid Family Leave  
Massachusetts  
District of Columbia  
Minimum Wage Changes  
New Jersey](#)

### PAID FAMILY LEAVE

Paid Family and Medical Leave bills have been introduced in at least 18 states so far this year. To date, DC, CA, MA, NJ, NY, RI & WA have enacted family leave programs. There are variations, but all provide leave benefits for new parents and workers dealing with their own serious illness or a family member's. Typically granted are 12 weeks paid leave at a percentage of annual wages. Funding is via a combination of employee and/or employer payroll deductions.

Supporters of the family leave initiatives see this trend as a sign that soon, federal lawmakers will agree to act on a national program. The White House has already called for a bipartisan plan.

### MASSACHUSETTS

#### Employee Deductions Begin July 1, 2019

- The plan will allow for up to 12 weeks of paid family leave and 20 weeks of paid medical leave in a benefit year. Eligible workers will be able to claim benefits in 2021.
- The total contribution rate is .63% of gross wages. Employers with more than 25 employees may deduct a portion from employees as follows: 100% of the .11% Family leave portion and 40% of the .52% Medical leave portion. The remaining 60% of the Medical leave portion is to be paid by the employer. Your iSolved Payroll Summary will indicate the amounts.
- Contributions are to be paid quarterly via MassTaxConnect and are due with a separate return 30 days after the close of each quarter. PROXUS and Payroll Tax Management are in the process of determining if this will be supported as part of the Quarterly Tax filing service.
- Employers with less than 25 employees are not required to make any portion of the required contribution amounts.
- On-line applications for **Private Plan Exemption** available April 29: If you already provide paid leave benefits, you may apply through MassTaxConnect for an exemption from collecting, remitting and paying contributions. Approval will be granted if you offer benefits greater than or equal to the State plan. Withholding is required until you receive an official exemption. Visit [MassTaxConnect Exemption](#) for more information.
- The first Quarterly report will be due October 31. Reporting guidelines will be released in July.
- By May 31, MA employers must provide notice (electronically or in writing) of the State Paid Family & Medical Leave program to all employees and independent contractors. The notice must provide employees with the ability to acknowledge receipt. A poster is also required and is available from the Dept. of Paid Family & Medical Leave.
- Details available at <https://www.mass.gov/orgs/department-of-family-and-medical-leave>. Read up on the new law, revise your handbooks as needed, post the mandatory notices and apply for exemption if you believe you qualify.
- Your PROXUS client services representative will reach out to you in early June to discuss employee and employer contributions that will begin in July.

## DISTRICT OF COLUMBIA

### Effective April 1, 2019 – Employer Only Tax

- The DC Family Leave Program provides for up to 2 weeks annual paid leave for a serious health condition, up to 6 weeks for a family member's serious health condition and up to 8 weeks for reasons related to birth or legal adoption of a child. Paid leave benefits will become available in July 2020.
- The program will be funded by an employer only tax of .62% of the employees' total Gross wages paid to covered employees. Taxable wages for this program are equal to the same Gross wages reported for Unemployment with no limit.
- Any business performing services in DC will be required to pay and remit family leave taxes. This includes non-profit organizations.
- The size of the business (employee count) has no bearing on whether the employer is to contribute. There is no Exemption offered if the employer has their own paid leave program.
- Beginning July 1, 2019 employers will be responsible for posting an employee informational notice detailing the benefits of the program.
- The first tax payment is due July 31 for 2<sup>nd</sup> Quarter with a requirement of a quarterly wage report separate from the Unemployment return. That report will be provided by the Office of Paid Family Leave soon. The agency is looking into creating a new on-line portal which employers will use to file the quarterly returns.
- PROXUS will provide the amount due on the iSolved Payroll Summary upon completion of programming. We expect the tax to be calculated retroactively to April 1 and do not anticipate clients will need to take any action regarding the calculations. More details to follow from iSolved. We are working with Payroll Tax Management to determine if the quarterly report will be supported as part of the Quarterly Tax service.
- As DC is still developing procedures and reporting requirements, please refer often to <https://does.dc.gov/page/district-columbia-paid-family-leave> for details.

### MINIMUM WAGE CHANGES AS OF JULY 1, 2019

STATE/JURISDICTION	NEW MIN WAGE RATE 7/1/19	COMMENTS
District of Columbia	\$14.00	
Illinois – Chicago	\$13.00	
Illinois – Cook County	\$12.00	
Maryland – Montgomery County	\$13.00	51 or more employees
	\$12.50	50 or less employees
Nevada	\$TBD	
New Jersey	\$10.00	
Oregon	\$11.25	Non-Rural counties
	\$11.00	Rural counties
	\$12.50	Portland Metro area

**Please Note:** iSolved will **NOT** automatically change employee rates. You must review your employee population by work location and manually change rates as needed.

## NEW JERSEY

In addition to the minimum wage increase in July, there are additional changes in NJ worth noting.

### Pre-Tax Transportation Fringe Benefits

NJ has become the first state to require employers to offer pre-tax transportation benefits. Senate Bill 1567 signed into law on March 1, 2019 requires employers of at least 20 employees to offer Transit Benefits (Parking & Transit passes) to all employees who are not currently covered by a collective bargaining agreement. Currently, for employers of less than 20 employees, there is no requirement to comply.

The law is “inoperative” until March 1, 2020 unless the NJ Labor Commissioner adopts regulations earlier. Employers that will be subject to the law do not need to immediately comply. However, employers that will be required to offer the Benefits in 2020 should do the following:

- ✓ Establish a Transit Benefits program and/or explore options with third party vendors now
- ✓ If you'll be subject to the law and have union employees, when the new contracts renew, you may need to comply before March 2020.
- ✓ Be prepared to address employee questions. NJ Transit, NJ Turnpike & South Jersey Transportation Authority plan to conduct public awareness campaigns.
- ✓ Continue to monitor for regulations that will affect when implementation is required. Employers in violation will face penalties.
- ✓ Stay current [https://www.njtransit.com/tm/tm\\_servlet.srv?hdnPageAction=BusPassTo](https://www.njtransit.com/tm/tm_servlet.srv?hdnPageAction=BusPassTo)

### Family Leave Laws Expanded

In February 2019, Governor Murphy signed legislation that significantly expands NJ's existing Family Leave Act (NJFLA) and Family Leave Insurance (NJFLI). Notable is that the NJFLA now applies to employers with just 30 employees; it was 50. Beginning June 30, employers with 30 or more employees (anywhere) are required to provide those employees working in NJ with 12 weeks of job protected family leave in each 24-month period. This amendment results in NJ deviating from the Federal FMLA which applies to employers with 50 or more.

Additional changes are to become effective in July 2020 for NJFLI by doubling the number of weeks of paid leave from 6 to 12 within a 12-month period. The amendment also prohibits employers from requiring employees to use up to 2 weeks of PTO in lieu of NJFLI benefits. If the employee elects to use PTO, it will no longer reduce the amount of NJFLI benefits.

### NJ Disability / FLI Wage Bases: 2020

Effective 1/1/2020, NJ's taxable wage base for employee Disability and Family Leave Insurance is to be \$131,000.00. This is almost 4 times higher than the 2019 wage limit of \$34,400.

The wage base for the employer contribution of Disability is not affected but will most likely see the typical increase 1/1/2020. The employee and employer taxable wage bases for Unemployment Tax are not affected and will also see the typical increase 1/1/2020.

The employee contribution rates will be available closer to year-end.