



PATH Act Leads to Key 2016 Payroll Changes

Signed into law during December, the Protecting Americans from Tax Hikes (PATH) Act of 2015 will lead to significant payroll-related regulatory changes. Some of the changes went into effect immediately, while others will be phased in over time. As your partner in payroll compliance, Coastal HR will work closely with you to ensure PATH ACT compliance as provisions come into effect, as well as all with other applicable regulatory concerns

10 Key PATH Act Changes

The PATH Act is a comprehensive law that has a number of implications for payroll, impacting both Social Security Administration (SSA) and Internal Revenue Service (IRS) procedures and regulations. Ten key payroll-related regulatory changes under the PATH Act include:

1. Earlier W-2/W-3 Filing Deadlines

Beginning with the 2016 tax year, employers will have to file their W-2, W-3 and 1099-MISC forms by January 31. This means that these forms will have to be filed with the government the same day they must be provided to employees and independent contractors.

2. Commuter Benefits

Employees who use public transportation for commuting will receive the same pre-tax benefits as employees who use their own vehicles and pay parking fees. This benefit had already been in effect; the PATH Act makes it permanent. For 2016, the pre-tax maximum is \$255 for employees in both situations.

3. Identifying Numbers

The IRS now has the authorization to require or allow employers to use an identification number other than an employee's full social security number on Form W-2.

4. ITIN Renewal and Expiration

Anyone who received an Individual Taxpayer Identification Number (ITIN) before 2013 will have to renew their number between 2017 and 2020 following a staggered schedule. Additionally, ITINs that go unused for three years in a row will expire automatically. (Note: ITINs are required for people who are ineligible for a social security number but who need a U.S. taxpayer ID.)

5. Military Differential Wage Credit

Employers who provide differential compensation to employees who are called to active military duty may claim a 20% wage credit. This wage credit was already in effect; the PATH Act extends it permanently and expands the credit to include all employers, regardless of size.



6. WOTC Extension

The Work Opportunity Tax Credit (WOTC) has been extended through 2019. This tax credit is designed to encourage employers to hire qualified individuals who have experienced long-term unemployment. The WOTC provides employers with a tax credit for up to 40% of the first \$6,000 of wages.

7. SIMPLE IRA Rollovers

Individuals are now allowed to roll over funds from a retirement plan sponsored by their employer to a SIMPLE IRA if the plan has been in existence for two or more years.

8. Dual Address Change Notifications

The IRS is now required to send address change notifications to both the new and former addresses of employers that file employment tax returns. So, if your company moves, the IRS will send a notification of the address change to your new location, as well as to your previous location.

9. Safe Harbor for De Minimis Errors

The PATH Act established a safe harbor from penalties related to de minimis errors on returns and payee statements. The safe harbor will go into effect for returns and statements that must be issued or filed on or after January 1, 2017. The de minimis threshold will be \$25 for withholding errors and \$100 for other errors.



IRS Mileage Rates Decrease for 2016

As of January 1, 2016, the IRS rates for business standard mileage and miles driven for moving purposes have decreased. Be sure to make proper adjustments in mileage reimbursement for 2016. If not, you'll end up having to include excess mileage payments made to employees in their taxable income.

Business Standard Mileage Rate

The 2016 business standard mileage rate is 54 cents per mile. This represents a decrease from the 57.5 cents per mile rate allowed for 2015.

Moving Mileage Rates

If you reimburse employees for relocation expenses, you also need to be aware that the 2016 IRS rate for miles driven for moving purposes has decreased to 19 cents per mile. (In 2015, the allowed moving mileage rate was 23 cents per mile.)

Clarifying Compliance

The new rates apply based on when the miles were driven, not when expense reports are turned in. Miles driven in December 2015 can be reimbursed at the 2015 rates, even though the expense reports may not have been turned in before the end of the year. Just be sure to make the adjustment for all miles driven on or after January 1, 2016.



10. Cadillac Tax Postponement

Employers with certain high-cost health insurance plans have been expecting to be required to pay the 'Cadillac Tax' starting in 2018. That timeframe has now been delayed to 2020.

Your Partner in Payroll Compliance

Of course, these are not the only elements of the PATH Act – this is just an overview of some of the major changes impacting payroll included in this comprehensive law. Fortunately, we worry about regulatory changes so you can focus on what you do best – running your business!

Being comfortable that payroll compliance experts are keeping up with the ever-changing regulatory environment is just one of the many reasons why working with Coastal HR provides peace of mind.

Attention Clients!

We really appreciate your business! We hope you are happy with our services too. Help us spread the word and every referral that turns into a client we will reward you with a \$100 VISA gift card.

Client Highlight

Southern Tires, Inc.



Located in Whistler, Alabama, Southern Tires, Inc. has been a leader in used tire recycling and retail since 1999 and has worked with Coastal HR since 2008.

Company representative Wendy Walker states, "Our partnership with Coastal HR has allowed Southern Tire's management global use of Coastal HR's online payroll services, as well as consistently reliable and helpful assistance."

Employee of the Quarter



Congratulations to Melyssa Malone, Coastal HR's Employee of the Quarter for 1st quarter 2016. Melyssa joined Coastal HR in 2014 and works in our payroll and benefit department. Melyssa is an integral part of our team! She has a friendly attitude, enjoys talking to our clients and always makes herself available to our clients when they need assistance. We're excited that Melyssa is part of the Coastal HR team!