Speaker 1:

Welcome to Pay Talk, the podcast for payroll professionals, with your host Nina Talley. In the podcast, we explore the human side of payroll. By speaking with global industry leaders who provide their unique insights to help listeners better understand the issues important to them and their careers.

Nina Talley:

Hey everyone, thanks for joining us for Pay Talk. The podcast that brings you payroll's human side. I'm your host Nina Talley. And today we're joined by two guests, Tricia Richardson, CPP, a senior consultant on the human capital management team at RKL LLP and Jim Medlock, former director of education at the American Payroll Association. Tricia and Jim are joining us for their second episode of Pay Talk. And thanks so much to the both of you for joining us once again. This episode, we're going to be talking about something that keeps many payroll professionals super busy starting around this time year end preparations. And this year's probably might be a bit different in particular, as many of us have become digital nomads. But before we dive in Tricia and Jim, why don't you introduce yourselves and give our listeners a bit of your background in the payroll industry?

Tricia Richardson:

Hi everybody. My name's Tricia I've been in payroll for about 25 years. I like to joke, I'm from when we used to take our 941 payments with a coupon into the bank. So that gives you an idea of how long I've been in this. And right now I do consulting with clients about payroll, HR issues, mostly how they, a lot about how they intersect.

Jim Medlock:

I'm Jim Medlock, yet last month was my 46th anniversary of the first day I worked in payroll many, many years ago. And that started off using punch cards to get data into the computer, which now has the power of about my cell phone does. So things have changed over time. And in that time I spent 25 years at the APA as the director of education, developing training materials, presenting classes, and I'm still doing a little bit of that in my retirement.

Nina Talley:

Thank you so much to both of you for joining us this year has been very transformative and we're so lucky to have both of your expertise here with us today. And as all of us know, it has been one heck of a year, and many of our work lives have gone through rapid transformations, especially with remote work. And it's important to stay up to date on how this will affect our end of year payroll preparations, which is why I am so very happy to have you both back. So with many states and localities rescinding their nexus guidance due to the pandemic, how are you confirming the states Employees are working from?

Jim Medlock:

Well, there's many different ways from asking the employee, which in some cases we may not get the answer that we're looking for, but also some organizations are actually tracking them with their IP addresses on the computers we can use geo-fencing to determine where exactly the person is. That's getting to be a very important item because now with the state's putting back in place the rules that we had before March 2020 when the pandemic began and people began working from home extensively, the states are wanting to get people to have the state income tax withheld in the state in which they're actually working in.

Nina Talley:

But when you find that an employee is working in a state that you're not registered with, who do you work with to get that registration done?

Jim Medlock:

Well, the first place I go is to the tax department and the legal department. Because it's very important to understand what the obligations are not only just for the withholding taxes, but there's many other taxes that a company can be assessed when they have even just one employee in the state that can include sales taxes, business taxes, income taxes, and also it can cause other legal issues. So Tricia, what have you been doing with some of your clients?

Tricia Richardson:

Well, what I do the first step I do is map it out, put it on paper because there's so many [inaudible 00:04:39] to this process that we look at, okay, where are they working? What are they doing? How often are they in that state? What state? And this is really something you have to involve all the company, everybody in the company with HR needs to know that you're looking to do this because every state has different HR requirements, sick leave, taxation, and then definitely accounting and the business office. Because if you are going somewhere to do business, you now have that magical word nexus, right? Which means you're doing other stuff like Jim said. And I think that's been a challenge for employers that I found is that it's just, they look at this one space when it's really, you're now doing business in that other state. So mapping-

Nina Talley:

And I love that piece of advice of just mapping it out, get a pen and paper together and figure out the sprawling beast that you're working with. And I think that's always a good first step in that a lot of times we can overlook the basics of how to wrap our head around a problem.

Tricia Richardson:

The one other thing that I would add is decide now if you're going to go to a remote workforce, that's the other thing that we want to make sure that the company, that the leadership is in control of that decision, because you want to make sure, okay, we're allowing remote workers now. Have a policy and procedure in place. Use your HRIS system to track income tax forms. Make sure that you say yes, in these states we allow remote working in this state we don't. And have that conversation now so you're not reacting. And that is I think definitely one of the first steps as well.

Jim Medlock:

And I'd add one more thing to that, in the determination and within the company determine are there any states you really don't want to have employees in. For example, you may not want to have non-exempt employees in California dealing with all the non-exempt employee rules there. Or you may not want to deal with all the taxation rules that we see in Pennsylvania or Ohio. So those are decision points that really need to be made ahead of time before an employee decides I'm going to end up in Pennsylvania, where we have to deal with the localities as well as the state taxes.

Nina Talley:

I think that is such a great point is that now is the time to be decisive about it. If you're going to do it, do it, have a plan and put it out. There is no, I think that for a bit of time a lot of businesses have been playing the wait and see game. It's time to see.

Tricia Richardson:

Definitely.

Nina Talley:

So what is your policy for issuing W-2c forms when an employee notifies payroll that they have not had state income tax withheld for the state that they're actually working in?

Tricia Richardson:

So this is the other thing that you want to use your HRIS software system for. This happens a lot at the end of the year. It happens when they go to their accountant, right? Who says, "you should have, this isn't the right taxation." And I think it's that communication and the policy and procedure upfront that it's the employee's responsibility to let you know if they've moved or where they're working. Because there's so much impacted by this. Not just the income tax, but as to mention the sales tax or things like that. There has to be a solid policy in place for this because really, if you didn't know, do you really have to issue that W-2c form? Whose responsibility is it to do that? But you have to make sure that the employee knows it is their responsibility.

Nina Talley:

And do you have any guidance or advice on any type of structure that you could put in place to help employees alert you to those types of changes?

Tricia Richardson:

Well, that's where your HRIS system comes into place because literally if they want to change their address, you can say, "you change your address here." When they change their address, you can send alerts to every department, tax, HR, benefits, payroll, and then that's going to flag, wait a minute we need to these other things. So that's where having using a system to do that because a lot of times employees will just go in and update their address. So we need to trigger and not, maybe let them put it in, but not automatically approve it, but trigger other workflows in the system to do that.

Jim Medlock:

And not only that, we also need to remind them to look at their pay statements.

Nina Talley:

Yes.

Jim Medlock:

To see what states they're actually having taxes withheld from.

Tricia Richardson:

That is a great, great point and definitely something to include in that you're in communication. It is your responsibility to make sure to check your paycheck. We do everything we can to make sure it's right, but it's your responsibility to check it. I think a lot of employees don't think that.

Nina Talley:

I think that's a really good point. I have been guilty of it in the past and had to at end of year go to my payroll person and work things out. And they were like, "well, have you ever looked at your pay stub?" And I was 20 and I was like, "I'm supposed to?"

Tricia Richardson:

That's funny.

Nina Talley:

So something I think that is also on the top of minds of everyone in business right now is employee retention and attracting hot, well skilled employees. So I want to talk with you about some of maybe the non-taxable fringe benefits that many employers are either thinking about adding or have already added just to, so to help them retain and be the most attractive employer possible.

Jim Medlock:

One of the important ones that I think that the Congress gave us to help ensure that our employees have the best benefits is the ability for employers to pay off portions of employee's student loans. So with the Cares act in 2020, the non job-related educational assistance that many of us in payroll have known for many years is section 127 of the internal revenue code, was expanded to allow employee ERS to pay up to $5,250 each year for an employee's student loan. It requires the same requirements that we've had for providing educational assistance. We have to have a written plan, we can't discriminate. In certain cases, we do need to notify employees that they are eligible and the employees do need to substantiate what the expenses up to $5,250 of student loan expenses.

Jim Medlock:

But that's a great benefit to put in for employees. Now, unfortunately like the non-job related educational assistance was for many years, it's only a temporary provision. So it only applies through the end of 2025. So we do have several years and that could be up to $20,000, more than $20,000 that we could pay for an employee's student loan. And that would be a great benefit to employees.

Nina Talley:

I think that it's always best to look at the full picture. And so what issues do payroll professionals need to watch out for when repaying an employee's student loans?

Jim Medlock:

It's getting back to those requirements that section 127 has in the law and that's notification because we can't just do this for specific employees. We have to make it available to all employees. So making that notification, putting it in the employee handbook so that employees understand what they can do, how they apply for it, what kind of documentation they need to provide and how the employer's going to handle that for them.

Tricia Richardson:

The other piece of that is to make sure you set up the taxation correctly. In Pennsylvania, there is no that 52 50 limit goes away. Anything you pay back or provide as far as tuition reimbursement is fully taxable at the state and local. So one recommendation I always have is these student loan programs have to go through payroll to make sure you're tracking them for taxation. And then I always recommend show that benefit Box 14. I love showing the employee right there. Wow, I got this much.

Nina Talley:

That's a lovely point. And I think that that does something to build culture within. It shows that you care and that you're aware. And although this is something that we're doing to attract and retain employees, if it's done passively, it doesn't have the same impact. And so I love that point Tricia. And something that a lot of employers are thinking about, it's a decision time of flex workspaces. Are you going remote work? Are you asking employees to come back in and what taxation issues will employers face when providing different incentives to employees to get them to actually return to work in the office?

Tricia Richardson:

So we're seeing lots of creative ways with the employers I work with. The important thing to remember is if you are providing bonuses or additional compensation as an incentive, you want to make sure you're taxing that correctly. And you want to make sure if it is discretionary or non-discretionary that you are adding that to, depending on if it's non-discretionary, you're promising them, we'll give you an extra a hundred bucks. So if you come into work and the office will now, you have to include that in the rate of pay for the overtime calculation for non-exempt staff. So we have to really pay attention to those things. And then just in general, the fringe benefits. Publication 15-B, critical. It talks about fringe benefits and taxation. If you're going to offer a gym membership, you've got to know that that's taxable. And just really to, anything you give to an employee could potentially be taxable. So that's kind of the default you want to get to or included in overtime.

Nina Talley:

I think something that has given a lot as a little bonus is things like gift cards, which can just muck up the tax works. So I think that's a lovely point.

Tricia Richardson:

Nina, you did not go to gift cards.

Nina Talley:

I did, I brought them up.

Tricia Richardson:

Two words you never use in the payroll space.

Jim Medlock:

Without adding the words gross up to it.

Tricia Richardson:

That's an excellent point.

Nina Talley:

Jim, do you have anything to add to that point?

Jim Medlock:

What I was going to add to what Tricia said was, we do want to look to see there are some items that can be excluded from the employee's income. There are non-taxable fringe benefits under section 132, primarily diminimous now that's small items, but we can change some of the things we may be providing in the office coffee and those types of always been provided, many offices have provided. But adding a few more niceties might be able to give a little more incentive for those to come, individuals to come to work. But there's also direct items that pertain specifically to the employee's job. And maybe the company hasn't paid the employees payroll professionals, APA membership, and that could be also excluded from the employee's income. So those are different things we may want to take a look at to help incentivize employees showing them we really care as a company.

Nina Talley:

Particularly for payroll professionals, it's very powerful. And we've talked about it before. The tools that the APA has that will help you unlock the next step of your career to get your CPP to move forward, to make yourself a completely unexpendable part of any team. I think that's a wonderful point and is an excellent way to create an impactful future for your employees and show them that you care. And something I think that a lot of employers have been playing around with as a good incentive to get their, either their employees back in the office or to retain them is the golden apple of unlimited paid time off. We all love to talk about it, and it's a really fun idea. But from payroll's perspective, how does unlimited paid time off impact your payroll processes?

Jim Medlock:

Well, it really makes it a little bit easier since we're not going to be required to track balances and stop someone's vacation pay when they use up their balance. Or I've been involved with organizations where we allowed employees to go into the negative, a certain amount and their vacation that eliminates all of those specific systems types of issues. But one thing that I really found in my years of experience, even though as you are longer in a company, you get more vacation time. I always had problems in taking the vacation time.

Nina Talley:

Exactly.

Jim Medlock:

So is it really just a tool for recruiting or is it something that actually gets used by employees? I'm not real sure, but it can be a problem I believe. And actually using it

Nina Talley:

Today's episode is sponsored by rapid, a leading provider for pay card, on demand pay and disbursements. Knowing what comes next and today's world is more uncertain than ever. What is certain, however, is that COVID-19 has changed the way we prepare for the unexpected. Developing a disaster plan to ensure that a central operations, including payroll continue during catastrophic conditions has moved from, yeah, we'll get to that. To the top of executive agendas. Rapid can implement measures to ensure your payroll department is fully prepared, should a second wave of COVID or any other health or natural disaster occur. How? The rapid pay card will come to your rescue in times of crisis by eliminating the need for in-person check disbursements and check mailing. Enabling automatic electronic payment for employees, not on direct deposit, including the unbanked and making contact delivery of pay possible. With rapid pay card, all employees can receive their pay without disruption. Critical for those who are living on the financial edge. Visit rapidpaycard.com to learn more about our best practices for payroll in a crisis.

Nina Talley:

So how does unlimited paid time off impact your payroll operations in general, if somebody takes a month off? That's a few pay periods. How does that affect things?

Jim Medlock:

I don't know about Tricia, but I was never able, I can remember once in my career that I took two weeks off together. But I timed it so that I'd finished the one payroll two weeks and came back to start the next payroll. But it's really difficult from a payroll perspective to be able to take unlimited vacation time, not only the actual day-to-day processing, but also for projects. If we have key members of our teams who are out on vacation, the projects can call. So come to a screeching halt as well.

Tricia Richardson:

Yeah, definitely. I think every payroll professional schedules, weddings, outpatient surgeries, vacations, births of children around the payroll schedule. So yeah, definitely.

Nina Talley:

I agree with that. As we've said, it is the double-edged sword of unlimited paid time off, especially if you are a payroll professional. I also don't know many who would feel comfortable missing a pay period let alone two.

Tricia Richardson:

I think flexible work time is the key because that, I think flexible work time works well for a couple of reasons. It says, "look, we're hiring you to do a job, do your job and get it done. And if you need to take a few hours here or there, that's fine." Rather than the unlimited PTO than just to say, "look, be flexible. We're going to be flexible with you." Do what you need to do for work-life balance.

Nina Talley:

I think a lot of what we've been talking about also comes back to trust and helping your employees feel trusted and valued. And that's a great way to do so if they are doing their job and you have no complaints, give them that flexible time and it will help them just be happier with their work, be happier with the company. And it's a great way to increase that satisfaction without necessarily affecting operations. And we have talked a lot about flexibility and all of these rapid changes that are happening. But I want to talk about what's not changing because that's just as important. So has the IRS and the SSA made any changes to the reporting of the W-2 forms or is that tried and true?

Jim Medlock:

The only real change, it continues what happened in 2020 for smaller employers who are getting the tax credits for the emergency sick leave and the emergency family leave. Those payments that are made to the employees that the company has gotten reimbursed by the IRS through a tax credit, they do need to be reported on, in Box 14 on the W-2 form or on a separate statement showing the employee how much they've received. Because there are some limitations if the individual is also doing some gig work on the side and they may have been able to get some of that credit as well against their gig work. That's really the only real change to the reporting. And there's a possible change that we're not sure that the IRS is going to implement. They're actually going to have a hearing in the near very near future on changing the thresholds for electronic reporting.

Jim Medlock:

I don't know how long it's been that the threshold was 250 forms, but they are going to drop that threshold to a hundred. And they're going to change how that hundred is determined. In the past W-2 stood alone, 1099 stood alone, 1095-C stood alone. And each one needed to get up to 250 to be able to be required to file them electronically. With the proposed changes, the IRS is going to accumulate all of the different information returns that a company may file and see whether they've reached that a hundred threshold for 2021. And that's even going to drop further in 2022 to a threshold of 10. So we're waiting for the IRS to finalize the regulations. They've proposed them and had a hearing on them. So we'll wait and see what happens. But that's really the only major change that I see coming. Tricia, have you've seen anything else?

Tricia Richardson:

No, not at all. It's nice, that's really we've stayed the course for those pieces and yeah, nice. It hasn't changed.

Nina Talley:

Its been a year and a half, probably a little longer than a year and a half at this point. And we just all keep saying a year and a half of a lot of destabilization and it's always nice to be able to point to something that is the same. That you can count on. And so, thanks for sharing that. Is there any, anything else that we need to be ready for as payroll professionals coming to the end of an unprecedented year?

Jim Medlock:

I just want to remind everybody if your organization deferred the social security tax in 2020, the first half of that payment that was deferred needs to be made by the end of the year. Well, technically by the end of the year. The law says by December the 31st, unfortunately or fortunately December 31st is a banking holiday because new year's day falls on a Saturday and December 31st falls on a Friday. So it would be on Monday, January the 3rd. That's the first half of that deferral from 2020 needs to be repaid.

Jim Medlock:

And it can be repaid through EFTPS. It's a little bit tricky how it's done. IRS has added a deferral payment option under the form 941, but we have to be careful to make sure that we're indicating what quarter we actually made the deferral. So if the deferral was in the second, third or fourth quarters, and we should have the total amounts of those referrals from each of those quarters, we need to be able to separate them if we're going to identify how those are going to be made. Because if we don't identify them correctly and balance them to what the 941 for that quarter said, IRS will be sending us notices and we all love those notices.

Tricia Richardson:

The only other thing that I've mentioned is for any company who allowed their employees to defer their social security, that once we reached the end of the year, you'll want to do W-2c for 2020 to show that that money has been paid. It's just something you have to do to update the IRS from what I've read so far, nobody needs to do a new tax return, nothing like that. But just to also keep that on your radar for year end W-2 processing. But you could do that after 2021 year end.

Nina Talley:

It's always good when you have that little bit of wiggle room. So now is the time in our podcast for something we like to call payroll nightmares. And we ask our listeners to send us their payroll nightmares, to podcasts@americanpayroll.org, or leave us a comment on the APA's Facebook page. For this month, Tricia has a nightmare that will get us all spooked and ready for Halloween. Tricia.

Tricia Richardson:

That's funny, Tricia has a nightmare. [crosstalk 00:27:10] So it sounds like a children's book, right? So the big thing to remember that this actually happened last year. Employers that do bonuses based on previous year wrap up of compensation. So say for example, in 2020 you looked at your, the sales revenue and decided everyone can get a $10,000 bonus, but you want to date that and say, for example 2021, but you don't do that paycheck until February. You are going to now owe the IRS penalties and interest because your payment's going to be late. So you're basically saying this money, we want to report in 2021 although we didn't give it to them in 2022. So your payment's going to be late. So I actually worked with an employer who got a $100,000 tax notice because the payment was over a $100,000 due and they didn't pay it on time.

Tricia Richardson:

Now the IRS kindly waived that, which shocked me. But the other piece of that is when you're looking at doing that, there's this issue of constructive receipt. So really that paycheck should not have been dated the previous year. That paycheck should really have been dated in the year that it was provided. So look at that, especially, I think this is coming up more because of the pandemic looking to, okay, here's where we are at the end of the year. We got all this credit. Let's give employees money, do that before the year ends or put it in next year.

Nina Talley:

That's an excellent point. And Jim, do you have anything to add to Tricia's nightmare?

Jim Medlock:

No, that's a very good point is making sure that the check dates, the settlement date for direct deposit is the date you were actually paying the employees, not when they actually may have earned it. So that's an appropriate handling of that bonus payment.

Nina Talley:

And don't forget everyone if you'd like to be included in our payroll nightmares, send an email to podcasts@americanpayroll.org or leave us a comment on the APA's Facebook page. We don't like to leave things on a negative note. So I have one more question for the both of you. What is the best piece of payroll advice you have ever been given? Or what's the piece of advice that you wish somebody had given you? And I know we've asked this before, but I'm interested to see if we have another little nugget of advice for us.

Jim Medlock:

Well, my piece of advice for all payroll professionals is to keep up to date and the absolute best way to keep up to date. If you've got only attend one class a year is to attend APA preparing for year end and 2022 class. A classes coming up in October and November, it's going to be offered in three different formats. If you have the best opportunity for a local class, you can go actually to the physical class, they're going to have webinars over four segments and also an interactive virtual class, which I find very exciting that we can be able to do those kinds of things. But getting that education, understanding what the changes are so that you can make sure that your payroll doesn't get one of those IRS notices. The investment in the class will save money in the long run.

Tricia Richardson:

Absolutely. That would be, my advice is very similar to what Jim said. You have to sign up for alerts, definitely join the APA and get alerts. Sign up for IRS alerts, social security administration alerts, department of labor alerts because these regulations now more than ever are changing all the time.

Tricia Richardson:

And also now's an opportunity, this is one thing that came out of the pandemic that I see as very positive. We now in our profession have an opportunity to really show how valuable we are and that no, we need to know this and this taxation. So take advantage of getting that education and definitely share it with everybody, with all the leadership in the company. And then definitely if you're going to go remote workers, you have to get the APA state payroll and local taxation guides. It's my favorite book that I've gotten for like the last five years. My husband laughs at me because I'm like, "it's here." But really, and share that, I have shared that with colleagues in HR who have said, "oh my gosh, I didn't know this existed." Especially now critical, it is a fantastic book. It definitely a great resource. So stay educated. I think that Jim hit that nail on the head.

Nina Talley:

What wonderful advice truly, because knowledge is power. And although things are shifting, there are people who have done a majority of the work for you and you just need to have the material to source from. So thank you both so much for all of these incredible insights and for your time and your expertise. Tricia and Jim, it was such a pleasure to start our end of year preparations with your guidance. I know I learned a lot and I know that we all have got a lot of work ahead of us before 2021 wraps. And I'm sure you made a lot of payroll lives easier today

Jim Medlock:

Its great being with you today Nina, and look forward to all payroll professionals, having a successful year end.

Tricia Richardson:

Thank you so much. I'm so grateful to be invited to participate in one of the things that I've been saying that I want to say again here is that all of you are heroes. Without the payroll professionals during this pandemic, folks would not have been paid. These tax credits would not have happened. We've managed, I think what 783, 941 forms now this year or in the last few quarters. So put on your Cape, you deserve it.

Nina Talley:

What wonderful words to leave our listeners with. And it's very true. I think a lot of times we can all forget how human payroll is. And that really is what Pay Talk is all about. Each payroll professional touches lives in ways that is foundational. And this last year and a half now coming up on two years has been really trying. And a lot of payroll professionals out there made all the difference. And I'm sure that both Tricia and Jim, you made the difference as well. And thank you so much. And I want to take a moment to thank all of our loyal listeners out there without you Pay Talk would not be possible. Make sure you rate, review and subscribe on your preferred podcast streaming service. That is the best way to support this podcast and ensure that we can continue to bring you the human stories that make payroll so personal. Until next time folks, this has been your host Nina Talley with Pay Talk.

Speaker 1:

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