

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES

DBUG MEETING: *March 23, 2023*

Updates:

❖ **CalPERS Website**

- Webcasts available online on the CalPERS YouTube Channel
 - Most recent webcast was regarding ***Retirement Income Sources***
 - https://www.youtube.com/channel/UCWHcVDsYvL_xcRjarkRIqoQ
 - You can find the Retirement Income Sources Webcast under the *Member Retirement Benefits* section at the link above.
- Member Education
 - <https://www.calpers.ca.gov/page/education-center/member-education>
- Share with all members of CalPERS

❖ **Estimated Employee Retention Tax Credit**

- IRS issued a warning urging people to carefully review the Employee Retention Credit (ERC) guidelines before trying to claim the credit
- Promoters continue to push ineligible businesses to file
- See **attached** notices from the IRS
- Also see an **attached** example that a few of our LEAs have received from a company claiming that a district has an estimated tax credit
 - The company asks to contact and will most likely ask for a fee to help “file” for the credit
 - LEAs continued to receive funding during the pandemic and **do not qualify** for the Employee Retention Tax Credit

❖ **Social Security Website is changing – March 25, 2023**

- Social Security Number Verification Service – Every user, **including existing members** will need to go through an Authentication and Registration process after March 25, 2023
- See **attached** for more information
- Highly recommend to have at least one person signed up for this, it is necessary to verify SSNs before hiring
- <https://www.ssa.gov/employer/ssnv.htm>

❖ **State Unemployment Rate – Decreasing for 2023-24**

- New Rate .05%, down from .50% in 2022-23
- https://edd.ca.gov/en/Payroll_Taxes/School_Employees_Fund

Reminders:

❖ **ACH Returns**

- If ACH bounces back for one of your employees, SCOE will create a paper check for this employee. If you wish to issue the check yourself, please let us know as we will need to journal the funds to your LEA to do so.

❖ **Deposit and Accounts Payable Folders**

- Please keep the deposit folders at your office until you plan to send a deposit to SCOE. We recommend sending your deposits through the colored folders rather than through manila envelopes. They are easier to distinguish in the specific Deposit folders.
- Please return the Accounts Payable Folders through AV upon receiving your AP batches.

❖ **EDD 1st Quarter filing due soon (State Unemployment/State Disability)**

- March 31st is the due date for filing the 1st Quarter 2023 taxes to EDD
 - Delinquent if not filed by **April 30th, 2023**
- Always wait until Regular payroll has been processed to start on this. (Regular payroll is due March 24th, wait until March 27th at the earliest to start)
- The EDD website changed recently, if you need assistance with this process please ask
- <https://www.scoe.org/pub/htdocs/fiscal-forms.html>

❖ **Fringe Benefits coded to 5XXX through payroll**

- Some LEAs code car or phone stipends paid through payroll to a 5XXX object, some code using Object 1X99 or 2X99(Other general)
- Reminder – The Pay09 and Pay10 reports are hard coded to **only include objects 1-2999**
- If you are using these reports for budgeting/reporting purposes it will be necessary to expand the search to include 1-5 or you will be understating the expenses
- It is important that you are consistent in how you code these fringe benefits as well
- See attached handout regarding car or cell phone payments

❖ **W-2 or 1099 corrections**

- Reminder – please forward 1099 or W-2 corrections to External Payroll and Finance to correct.
 - Jing Liu / Christy Arend are in charge of preparing these corrections on behalf of the LEAs

Upcoming Workshop!

❖ **HR/Payroll Annual Review**

- https://www.scoe.org/pub/htdocs/class.html?class_id=10337
- April 13, 2023 - 9:00AM – 12:00PM, Redwood C



Employers warned to beware of third parties promoting improper Employee Retention Credit claims

IR-2022-183, October 19, 2022

WASHINGTON — The Internal Revenue Service today warned employers to be wary of third parties who are advising them to claim the Employee Retention Credit (ERC) when they may not qualify. Some third parties are taking improper positions related to taxpayer eligibility for and computation of the credit.

These third parties often charge large upfront fees or a fee that is contingent on the amount of the refund and may not inform taxpayers that wage deductions claimed on the business' federal income tax return must be reduced by the amount of the credit.

If the business filed an income tax return deducting qualified wages before it filed an employment tax return claiming the credit, the business should file an amended income tax return to correct any overstated wage deduction.

Businesses are encouraged to be cautious of advertised schemes and direct solicitations promising tax savings that are too good to be true. Taxpayers are always responsible for the information reported on their tax returns. Improperly claiming the ERC could result in taxpayers being required to repay the credit along with penalties and interest.

What is the ERC?

The ERC is a refundable tax credit designed for businesses who continued paying employees while shutdown due to the COVID-19 pandemic or had significant declines in gross receipts from March 13, 2020 to December 31, 2021. Eligible taxpayers can claim the ERC on an original or amended employment tax return for a period within those dates.

To be eligible for the ERC, employers must have:

- sustained a full or partial suspension of operations due to [orders from an appropriate governmental authority](#) [PDF](#) limiting commerce, travel, or group meetings due to COVID-19 during 2020 or the first three quarters of 2021,
- experienced a [significant decline in gross receipts during 2020](#) [PDF](#) or a [decline in gross receipts during the first three quarters of 2021](#) [PDF](#), or
- qualified as a [recovery startup business](#) [PDF](#) for the third or fourth quarters of 2021.

As a reminder, only recovery startup businesses are eligible for the ERC in the fourth quarter of 2021. Additionally, for any quarter, eligible employers cannot claim the ERC on wages that were reported as payroll costs in obtaining PPP loan forgiveness or that were used to claim certain other tax credits.

To report tax-related illegal activities relating to ERC claims, submit [Form 3949-A, Information Referral](#) [PDF](#). You should also report instances of fraud and IRS-related phishing attempts to the [Treasury Inspector General for Tax Administration](#) [↗](#) at 800-366-4484.

Go to [IRS.gov](#) to learn more about eligibility requirements and how to claim the Employee Retention Credit :

- For qualified wages paid after March 12, 2020, and before January 1, 2021 – [Notice 2021-20](#), [Notice 2021-49](#), and [Revenue Procedure 2021-33](#)
- For qualified wages paid after December 31, 2020, and before July 1, 2021 – [Notice 2021-23](#), [Notice 2021-49](#) and [Revenue Procedure 2021-33](#)
- For qualified wages paid after June 30, 2021, and before October 1, 2021 – [Notice 2021-49](#) and [Revenue Procedure 2021-33](#)
- For qualified wages paid after September 30, 2021, and before January 1, 2022 – [Notice 2021-49](#) and [Notice 2021-65](#)

Additional Information

- [Employee Retention Credit - 2020 vs 2021 Comparison Chart](#)
- [Form 941-X Instructions \(April 2022 Revision\)](#) [PDF](#) – for use in conjunction with Form 941 Instructions from relevant calendar quarter
- [Form 941 Instructions \(December 2021 Revision\)](#) [PDF](#)
- [Form 941 Instructions \(2020 Revisions\)](#) [PDF](#)
- [Form 943](#) [PDF](#), [943-X](#) [PDF](#), [944](#) [PDF](#), [944-X](#) [PDF](#), [CT-1](#) [PDF](#) and [CT-1-X Instructions](#) [PDF](#)

Page Last Reviewed or Updated: 03-Nov-2022



IRS issues renewed warning on Employee Retention Credit claims; false claims generate compliance risk for people and businesses claiming credit improperly

IR-2023-40, March 7, 2023

WASHINGTON — The Internal Revenue Service today issued a renewed warning urging people to carefully review the Employee Retention Credit (ERC) guidelines before trying to claim the credit as promoters continue pushing ineligible people to file.

The IRS and tax professionals continue to see third parties aggressively promoting these ERC schemes on radio and online. These promoters charge large upfront fees or a fee that is contingent on the amount of the refund. And the promoters may not inform taxpayers that wage deductions claimed on the business' federal income tax return must be reduced by the amount of the credit.

"While this is a legitimate credit that has provided a financial lifeline to millions of businesses, there continue to be promoters who aggressively mislead people and businesses into thinking they can claim these credits," said Acting IRS Commissioner Doug O'Donnell. "Anyone who is considering claiming this credit needs to carefully review the guidelines. If the tax professional they're using raises questions about the accuracy of the Employee Retention Credit claim, people should listen to their advice. The IRS is actively auditing and conducting criminal investigations related to these false claims. People need to think twice before claiming this."

The IRS has been [warning about this scheme](#) since [last fall](#), but there continue to be attempts to claim the ERC during the 2023 tax filing season. Tax professionals note they continue to be pressured by people wanting to claim credits improperly. The IRS Office of Professional Responsibility is working on additional guidance for the tax professional community that will be available in the near future.

People and businesses can avoid this scheme, and by not filing improper claims in the first place. If the business filed an income tax return deducting qualified wages before it filed an employment tax return claiming the credit, the business should file an amended income tax return to correct any overstated wage deduction.

Businesses should be cautious of advertised schemes and direct solicitations promising tax savings that are too good to be true. Taxpayers are always responsible for the information reported on their tax returns. Improperly claiming the ERC could result in taxpayers being required to repay the credit along with penalties and interest.

What is the ERC?

The ERC is a refundable tax credit designed for businesses who continued paying employees while shut down due to the COVID-19 pandemic or who had significant declines in gross receipts from March 13, 2020, to Dec. 31, 2021. Eligible taxpayers can claim the ERC on an original or amended employment tax return for a period within those dates.

To be eligible for the ERC, employers must have:

- sustained a full or partial suspension of operations due to [orders from an appropriate governmental authority](#) [PDF](#) limiting commerce, travel or group meetings due to COVID-19 during 2020 or the first three quarters of 2021,
- experienced a [significant decline in gross receipts during 2020](#) [PDF](#) or a [decline in gross receipts during the first three quarters of 2021](#) [PDF](#), or
- qualified as a [recovery startup business](#) [PDF](#) for the third or fourth quarters of 2021.

As a reminder, only recovery startup businesses are eligible for the ERC in the fourth quarter of 2021. Additionally, for any quarter, eligible employers cannot claim the ERC on wages that were reported as payroll costs in obtaining PPP loan forgiveness or that were used to claim certain other tax credits.

To report tax-related illegal activities relating to ERC claims, submit by fax or mail a completed [Form 14242, Report Suspected Abusive Tax Promotions or Preparers](#) [PDF](#) and any supporting materials to the IRS Lead Development Center in the Office of Promoter Investigations.

Mail: Internal Revenue Service Lead Development Center
Stop MS5040
24000 Avila Road
Laguna Niguel, California 92677-3405
Fax: 877-477-9135

Employers should also [report instances of fraud and IRS-related phishing attempts](#) to the IRS at phishing@irs.gov [✉](#) and [Treasury Inspector General for Tax Administration](#) [📍](#) at 800-366-4484.

Go to [IRS.gov](https://www.irs.gov) to learn more about eligibility requirements and how to claim the Employee Retention Credit:

- For qualified wages paid after March 12, 2020, and before Jan. 1, 2021 – [Notice 2021-20](#) [PDF](#), [Notice 2021-49](#) [PDF](#), and [Revenue Procedure 2021-33](#) [PDF](#)
- For qualified wages paid after Dec. 31, 2020, and before July 1, 2021 – [Notice 2021-23](#) [PDF](#), [Notice 2021-49](#) [PDF](#) and [Revenue Procedure 2021-33](#) [PDF](#)
- For qualified wages paid after June 30, 2021, and before Oct. 1, 2021 – [Notice 2021-49](#) [PDF](#) and [Revenue Procedure 2021-33](#) [PDF](#)
- For qualified wages paid after Sept. 30, 2021, and before Jan. 1, 2022 – [Notice 2021-49](#) [PDF](#) and [Notice 2021-65](#) [PDF](#)

Additional Information

- [Employee Retention Credit - 2020 vs 2021 Comparison Chart](#)
- [Form 941-X Instructions \(April 2022 Revision\)](#) [PDF](#) – for use in conjunction with Form 941 Instructions from relevant calendar quarter
- [Form 941 Instructions \(December 2021 Revision\)](#) [PDF](#)
- [Form 941 Instructions \(2020 Revisions\)](#) [PDF](#)
- [Form 943](#) [PDF](#), [943-X](#) [PDF](#), [944](#) [PDF](#), [944-X](#) [PDF](#), [CT-1](#) [PDF](#) and [CT-1-X Instructions](#) [PDF](#)

Page Last Reviewed or Updated: 08-Mar-2023

RE: Estimated Employee Retention Tax Credit
National Tax Credits
Los Angeles, CA 90028

Notice ERTC Employee Retention Credit
Notice Date 2/27/2023
Business Name XYZ School District
Proprietor Mickey Mouse
To contact us 877.359.1072
Your Caller ID 0187 5002

XYZ School District

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Contact us 877.359.1072

Your notice of pending
Employee Retention Tax Credit

Amount of estimated Tax Credit: \$5,200,000

ERTC Estimate Summary

Business name XYZ School District
Estimated tax refund \$ 5,200,000
Estimated employee count 200
Quarterly loss estimate PENDING
Total estimated tax refund due \$ 5,200,000

We are attempting to provide you with a ERTC refund estimate that has been instituted by Congress to compensate your business losses due to the COVID-19 pandemic. Please call us immediately to verify your ERTC refund estimate.

*Eligibility for all businesses that were harmed during the 2020-2021 pandemic.

*Estimated Tax Credit of up to \$26,000 per employee

*No restrictions on use of tax refund

*Past PPP loans do not affect ERTC tax refunds

Tax Refund Credit

Tax refunds may be paid in a series of payments made out to XYZ School District and qualifying businesses may receive their refunds in as little as 5 business days.

Notice ERTC Employee Retention Credit
Notice date 2/27/2023
SIC Code 82110300

XYZ School District

Amount of estimated tax credit **\$5,200,000**

RE: Estimated Employee Retention Tax Credit
Los Angeles, CA 90028

Contact us 877.359.1072

Business Services Online is Changing!

2 messages

Social Security Administration <subscription.service@subscriptions.ssa.gov>

Mon, Mar 20, 2023 at 6:05 AM

Reply-To: subscription.service@subscriptions.ssa.gov

To: carend@scoe.org



Business Services Online Access and Registration Process is changing!

As of March 25, 2023, we are updating how you sign up for and access a Business Services Online (BSO) account for the following services:

- Wage File Upload
- W2 Online
- W2c Online
- AccuWage Online
- Social Security Number Verification Service (SSNVS)

What does this mean for you?

On March 25, 2023, current and new BSO users, wishing to use the above services, will use SSA's Public Credentialing and Authentication Process (eAccess) to access employer services.

The first time a visitor goes to the [employer webpage](#) after March 25, 2023, they will be redirected to the Social Security Sign In page to start the authentication and registration process.

BSO users will need a separate Social Security online account, for example, a my Social Security account that was created before September 18, 2021, or have an existing [Login.gov](#) or [ID.me](#) account. If you do not have a Social

Security online account or a Login.gov or ID.me account, you will need to create one from our [Social Security Sign in page](#). This is a new requirement to access BSO employer services.

Once the credentialing and authentication process has been completed, current BSO User ID(s) will be associated with your new credential.

Frequently asked questions

Can I sign in with my personal *my Social Security* account username and password?

Yes. If you have created a *my Social Security* account prior to September 18, 2021, you can use the username and password to sign in once redirected from the employer webpage. The username and password will be associated with your BSO User ID.

Are there any actions I can take prior to March 25, 2023?

If you don't already have an existing Login.gov or ID.me account, you can create one now. Please note your account will not be associated with your BSO User ID(s) before March 25th. You will need to visit [our site](#) after that date to complete the process.

Why am I being asked additional identity proofing questions after I create my account?

Social Security uses different levels of security depending on the sensitivity of the information being accessed. These additional levels of security are to ensure your information is protected.

Learn More

Stay Connected with Social Security:



Join the millions and discover your benefits!

Open a *my Social Security* account.

SUBSCRIBER SERVICES:

[Manage Subscriptions](#) | [Unsubscribe All](#) | [Help](#)

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

2023-24 Unemployment Insurance Rate Announced

 [BY MATT PHILLIPS, CPA](#)

 [BY LEILANI AGUINALDO](#)

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posted March 17, 2023

The Employment Development Department (EDD) announced that the School Employees Fund (SEF) Unemployment Insurance rate (Rate) for the 2023-24 fiscal year will be 0.05%. The decrease represents a return to levels not seen since before the onset of the COVID-19 pandemic.

The COVID-19 pandemic and initial fear of a significant economic recession resulted in layoffs, and in response, the EDD, in [March 2021](#), announced an increase in the SEF Rate from 0.05% to 1.23%, an increase of more than 2400%. Governor Gavin Newsom and the Legislature, as part of the 2021 Enacted Budget, provided relief to temper the increase to 0.50%, rather than 1.23%. This increase was still significant, but not as significant as it would have been without the intervention of the Governor and Legislature.

The rate of 0.05% is locked in for one fiscal year and the EDD will provide a new Rate for the 2024-25 fiscal year by April 1, 2024. The announcement from the EDD can be found [here](#).

Español

School Employees Fund

Latest Update

The Unemployment Insurance (UI) contribution rate for State Fiscal Year (SFY) 2023/2024 will be 0.05%. The 0.05% rate will be effective July 1, 2023 through June 30, 2024.

The Local Experience Charge (LEC) Rate for SFY 21/22 remains unchanged, so please use the LEC rate found on your *Notice of Contribution Rate and Local Experience Charge Rate Statement* (DE 56).

Federal assistance provided emergency unemployment tax relief to School Employees Fund (SEF) employers. The law allows a 50 percent credit for Unemployment Insurance (UI) benefit charges for benefit weeks between March 13, 2020, and April 3, 2021. With the most recent federal relief package, the law allows a 75 percent credit for UI benefit charges for benefit weeks between April 4, 2021, and September 4, 2021. This credit will be applied to the SEF and the SEF will reimburse the Unemployment Insurance fund for benefit charges paid.

e-Services for Business

Use e-Services for Business to manage your employer payroll tax account online.

Log In

Enroll

Stay Up-to-Date

- Check [Required Filings and Due Dates](#)
- Find [Payroll Tax Seminars](#)
- Visit [Employer News and Updates](#)
- Get [EDD email notices](#)
- Get [Forms and Publications](#)

About the School Employees Fund

Public school districts (kindergarten through 12th grade) and community colleges can choose to participate in the SEF, which is a special reimbursable financing method available for school districts.

The SEF is a fund administered by us, which collects contributions based on a percentage of total wages paid by public schools and community college districts. The SEF reimburses the UI Fund for the cost of UI benefits paid to former school employees.

All 72 community college districts and 1,334 county offices of education, public school districts, and charter schools participate in the SEF. They have 964,132 employees and pay more than \$49.6 billion in wages annually.

Contribution Rate

All school employers participating in the SEF have the same UI contribution rate. The rate is determined by law and is intended to provide one full year of UI benefit payments.

A Local Experience Charge (LEC) is applied to total benefits paid in a quarter. The individual employer LEC rate can be 0, 5, 10, or 15 percent. New SEF participants must pay a 10 percent LEC for the first three complete fiscal years.

Show All

[SEF Partners](#) ▶

[Forms and Publications](#) ▶

Contact Us

If you have questions, [Contact Payroll Taxes](#). You can also contact the Taxpayer Assistance Center at 1-888-745-3886 or visit your local [Employment Tax Office](#).

Additional Resources

- [Correct Prior Reports, Returns, or Deposits](#)
- [California Employer's Guide \(DE 44\) \(PDF\)](#)
- [Fact Sheet – Payroll Taxes \(DE 8714E\) \(PDF\)](#)
- [Frequently Asked Questions](#)

For More Information

Contact the School Employees Fund (SEF) at 1-916-653-5380.

For UI benefits paid to your former employees, refer to:

- [Reimbursable Method of Paying UI Benefits](#)
- [FAQs – Reimbursable UI Benefit Charges](#)
- [Unemployment Insurance](#)
- [DE 4527 – Managing Unemployment Insurance \(UI\) Costs \(PDF\)](#)

- [Determine Taxable Wages and Calculate Taxes Due](#)
- [Household Employer's Guide \(DE 8829\) \(PDF\)](#)

Car or Cell Phone Stipend Account Codes (Fringe benefit)

We have some LEAs that code car or cell phone allowances to 5XXX, while others are coding them to salary using object XX99 (Other General). This seems to be a bit of a grey area. However, this type of stipend is a taxable fringe that is included in wages and is not creditable for retirement.

There are two types of Accountable Plans; Accountable and Nonaccountable.

Accountable Plan: An allowance or reimbursement policy where amounts are nontaxable to the recipient if certain requirements are met:

- There must be a business connection to the expenditure
- There must be adequate accounting by the recipient within a reasonable period of time
- Excess reimbursements or advances must be returned within a reasonable period of time

Nonaccountable Plan: A nonaccountable plan is an allowance or reimbursement that does not meet all three requirements for an accountable plan. Payments made under a nonaccountable plan are taxable wages when paid or when constructively received. The employee may be able to deduct these expenses as itemized deductions on their individual tax returns.

Because under the nonaccountable plan, fringe payments are taxable wages, it makes sense to code them to a salary code.

If your LEA chooses to code to a 5XXX instead, the most important thing is that you are consistent in how you code the fringe.