



November 16, 2021

We would like to extend a friendly reminder that Lang Allan & Company offers payroll services that includes direct deposit of payroll checks, timely filing of payroll reports, payment of payroll taxes, year-end preparation of W-2s, 1099s and yearly payroll reports. Please let us know if we can be of service.

It's that time of year again to prepare for the 2021 tax reporting season. If you are a business owner, be sure to draw a big red circle around the date January 31, 2022, on your calendar:

Please be aware the filing deadline for employers to submit forms W-2 to Social Security and certain forms 1099-NEC, 1099-Misc, etc. reporting non-employee compensation, rents, interest, etc. is January 31, 2022.

We will be processing 4th Quarter 2021 payroll reports, W-2's and 1099s for year-end very soon. In order to facilitate reporting with respect to the deadlines, we will need your final payrolls, payments, bonuses etc. to individuals **for 2021 by December 20, 2021**. Be sure to forward any payroll reporting or tax notices to [Linda](#). She will also need your Colorado Unemployment Tax rate change notice (these are sent out in mid-November) and payroll withholding tax notices regarding deposit frequency. If you have received occupational tax booklets, please forward these as well.

For those of you who are enrolled in Lang Allan payroll service we will need to know of any bonuses or changes in salary etc. two weeks before your last payroll run. Please check with your employees of any address changes in 2021. Forward any changes to [Linda](#). **We will mail all employee W-2s to their addresses on file for you.**

S-Corporation Reasonable Compensation

The IRS is also looking closely at S corporation [compensation practices](#). In particular, auditors' eyebrows are being raised if salaries paid by an S corporation to its principal owner or owners look suspiciously low. A review of W-2 income and total distributions received by the S corporation owner-employee during the year may be in order for many businesses. PLEASE CALL US NOW IF YOU NEED A REVIEW OF YOUR PAID WAGES AND/OR TAX PLANNING. You can schedule a meeting with [Adam here](#).

W-2's

If your company is an S-Corporation we will need the [total health insurance](#) premiums (multiply your monthly premium by twelve months – send to [Linda](#)) paid by the company by December 1, 2021 for all 2% or greater shareholders per Notice 2008-1, [as required](#). If you prepare your own payroll or use another outside service, you will need to provide this information too on the W-2s.

In addition, please check your **employees' addresses, names, Flex Spending, SIMPLE, 401(k) plan deductions, etc.** and give us any changes that might have occurred during the year.

1099's

File Form 1099 NEC (Please see our letter addressing this form), 1099-Misc, Form 1099-Interest and Form 1099-Rent for each person or company to whom you have paid during the year in the course of your trade or business:

- At least \$10 in royalties, interest or broker payments in lieu of dividends or tax-exempt interest.
- At least \$600 in rents, services, (including parts and materials), prizes and awards, other income payments, medical and health card payments, crop insurance proceeds, cash payments for fish you purchase from anyone engage in the trade or business of catching fish, or, generally, the cash paid from a principal contract to an individual, partnership or estate.
- Payments to an attorney.

EXCEPTIONS: Generally, payments to a corporation, guaranteed payments, payments for merchandise, telegrams, telephone, freight, storage and similar items.

Use [Form W-9](#) to gather the information you will need for the 1099. As you begin to work with new individuals in 2021, **we strongly encourage you to have a form W-9 completed before you send any payments** to individuals. Threat of backup withholding (at 28%) usually works to get the information you need to be compliant. As long as the supplier is active, you need to store the W-9 form. If the supplier is not active, the W-9 needs to be kept on file for three years after their last return is filed with the IRS.

There are many state and federal laws that define an employment relationship and determine whether an individual who performs services is an employee or an independent contractor. IRS Publication 15-A, "Employer's Supplemental Tax Guide," has more information on determining whether an individual is an [independent contractor or an employee](#). In addition, the IRS is aggressively pursuing entities who misclassify an employee as an independent contractor and is assessing significant penalties, interest and back taxes to the employer. In the simplest of definitions, if you can control the "contractors'" work (i.e., what will be done and how it will be done), the contractor is probably an employee. An independent contractor agreement will not support the classification during an IRS or State examination. In addition, states are pursuing the same situation as states are losing out on workers compensation premiums and unemployment premiums when employees are misclassified. **WE STRONGLY URGE YOU TO REVIEW YOUR INDEPENDENT CONTRACTOR/EMPLOYEE STATUS.**

Colorado Workers' Compensation Law

Colorado law requires that all employees have workers' compensation insurance, whether they are part-time or full-time, with limited exceptions. A sole proprietor or corporate officer is an example of persons that might not be bound to carry this insurance. For more information, please refer to this [website](#).

QuickBooks Clients

QuickBooks supports Version 2022, 2021, and 2020 at the present time. We will support QuickBooks Versions 2019 through 2022 and accept client data from version 2016 to 2018, *however we will convert 2018 and prior data files to a current version of QuickBooks and you will have to manually enter any year-end journal entries.*

2022 Payroll Items of Note

The Social Security and Medicare tax rates remained the same at 6.2% and 1.45% respectively for all employees in the U.S. and Puerto Rico. In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. There is no *employer* share of Additional Medicare Tax.

The [Social Security wage base](#) for 2022 (the maximum amount of annual salary subject to Social Security taxation) is \$147,000. This is an increase from the 2021 base which was \$142,800. The Medicare tax rate is applicable to all wages paid during the year.

2022 Colorado Paid Sick Leave

Effective January 1, 2022, [Colorado Paid Sick leave](#) is in effect for all employers. An employer must accrue one hour of paid sick leave for each 30 hours worked, up to 48 hours in total. Employees determine how much paid sick leave they need to use and must be permitted to use it in no greater than one-hour increments. Employers must provide written notice to employees (i.e., sign hung in a public place of work), and or other means of written notice. Employers with “more generous” paid time off (“PTO”) / vacation policies should review their “grace periods” and/or any other waiting periods to be eligible to use their PTO. This Colorado law begins to accrue and be available one hour, after the employee’s 30th hour of work and this law is applicable to part-time employees on a pro-rata basis (whereas some company PTO plans/policies may not be eligible).

2022 Colorado Unemployment Insurance tax rates

If you are a Lang Allan & Company payroll client, please forward to us your 2022 Colorado Unemployment Insurance Rate Notice you will receive during November 2021. The wage base taxable to employers is \$17,000 and did increase from a base of \$13,600 in 2021.

2022 Minimum Wage and Notification

The minimum wage will increase in Colorado from \$12.32 to \$12.56 an hour effective January 1, 2022. Please review your current wages paid to employees. You MUST also display the minimum wage notice. For additional information, [read more](#).

2022 401(k) Limitations

[401\(k\)](#) contribution limit will be going up from \$19,500 for 2021 to \$20,500 for 2022. The catch-up contribution limit for employees aged 50 and over who participate in a 401(k) will remain the same at \$6,500 for 2022.

2022 HSA Contribution Limits

The [HSA contribution limit](#) for an individual increased \$50 to \$3,650 and a family contribution increased \$100 to \$7,300. The employer HSA contributions do count toward the employees’ annual contribution limit. The HSA catch-up contribution for those that are age 55 or older is \$1,000.

Great Colorado Payback

Checks that have not cleared are required to be submitted to the State of Colorado under the [Great Colorado Payback](#) program. Please note *other states* have similar programs.

New Hire Reporting

As a reminder, when hiring any new employees, you must forward a copy of form W-4 to the State of Colorado. You can fax this form to 303-297-2595 or mail. For additional information, [read here](#).

Colorado Employment Verification Law

For the term of employment for each employee, the employer shall keep a written or electronic copy of the documents required by completion of the Form I-9, Employment Eligibility Verification. For additional information, [read here](#).

Colorado Sales Tax

Be sure to check the Colorado Department of Revenue website by January 5, 2022, for any sales tax rate changes and the rules and regulations. The rate changes are updated twice a year in January and July. For additional information, [read here](#).

Colorado Use Tax

Consumer use tax must be paid by Colorado residents and businesses on purchases that did not include Colorado sales tax, such as those made over the Internet, by mail order, or by telephone. For additional information, [read here](#).

Please feel free to forward this PDF to any of your friends, colleagues or other business associates as this information applies to many businesses today. If you have any questions, comments or concerns with the above information, please do not hesitate to contact [myself](#) or [Linda Heyburn](#) or 303-792-9445.

Have a happy and healthy holiday season!

Sincerely,



Adam Allan, CPA