

**Battershell & Nichols, CPAs  
welcomes you to:**

**Update for 2021 Employer Reporting  
to IRS and Washington State**

**The presentation will begin shortly...**



# CPE needed?

**Within one week, send an email requesting CPE, complete the course evaluation and provide the list of CPE codes provided during the presentation to:**

**[info@battershellnichols.com](mailto:info@battershellnichols.com)**

**(Only available for those attending live)**

**All CPE codes are provided in the presentation via polls.**



# Remote Accounting Services

- We provide bookkeeping services to churches and Christian nonprofits including:
  - Produce a monthly financial report for leadership
  - Process contributions and bills
  - Record all transactions in the general ledger
  - Reconcile bank accounts, credit cards, and close the books each month
  - Process payroll and file all quarterly and annual payroll forms
  - Provide budget and cash flow projection oversight
  - Give assistance with internal controls

# Remote Accounting Services

- Why do we provide this service?
  - With online software solutions dramatically improving, outsourced bookkeeping has become a popular alternative to in-house bookkeeping
- Top reasons our clients use our remote accounting services:
  - Managing finances distracts the organization from its mission
  - Leadership and member increased confidence in their finances
  - Tax and accounting regulations are complex and changing faster than ever
  - They want a trusted advisor to provide CPA oversight

# We're hiring!

- Audit, tax, and accounting assistance duties include:
  - Assist clients with accounting, QuickBooks, and tax preparation
  - Perform financial statement compilations, reviews, and audits
  - Review and reconcile general ledger accounts
  - Interact with clients and work collaboratively with team members
- View our job openings on [our website](#) or send your resume to [info@battershellnichols.com](mailto:info@battershellnichols.com)

## **DISCLAIMER:**

- *The author is not engaged by this text or webinar in the rendering of tax, accounting, or similar professional services.*
- *While the tax, and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the opinions based thereon cannot be guaranteed.*
- *Before taking any action, all references and citations should be checked and updated accordingly.*



# Update for 2021 Employer Reporting to IRS and Washington State

**January 12, 2022**

By: Rick Battershell, CPA



# Suggested Webinars for Year End Reporting

[https://battershellnichols.cpa/webinars\\_on\\_demand/](https://battershellnichols.cpa/webinars_on_demand/)

- 2020 Year End Update – Compensation Reporting
- 2020 Year End Update – Charitable Contribution Receipting
- 2020 Year End Update – IRS & WA State Reporting

# 2021 Form W-2 Box 14

a Employee's social security number		Safe, accurate, FAST! Use 		Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld		
		5 Medicare wages and tips	6 Medicare tax withheld		
		7 Social security tips	8 Allocated tips		
d Control number		9	10 Dependent care benefits		
e Employee's first name and initial Last name Suff.		11 Nonqualified plans	12a See instructions for box 12		
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b		
		14 Other	12c		
			12d		
f Employee's address and ZIP code					
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2021** Department of the Treasury—Internal Revenue Service  
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

- **Sick and Emergency Leave**
  - In box 14 or separate statement to employees, wages paid under COVID-19 tax laws from:
    - From January 1 – March 31, 2021
    - From April 1 – September 30, 2021
  - These wages are also reported in Form W-2, box 1
  - To provide employees who are also self-employed with the information they need to claim tax credits in 2021
  - See IRS Notice 2021-53 for more information

## Sick and emergency leave wages to include: Form W-2 - Box 14

Sick and emergency leave wages reported from January 1 to March 31, 2021	ESL1	Emergency paid sick leave wages, subject to the \$511 per day limit for employees directly impacted by COVID-19
	ESL2	Emergency paid sick leave wages, subject to the \$200 per day limit for employees caring for someone else impacted by COVID-19
	EFML	Expanded family leave wages
Sick and emergency leave wages reported from April 1 to September 30, 2021	ESL3	Emergency paid sick leave wages subject to the \$511 per day limit for employees directly impacted by COVID-19
	ESL4	Emergency paid sick leave wages subject to the \$200 per day limit for employees who are caring for someone else impacted by COVID-19
	EFL2	Expanded family leave wages

# What to include:

## Form W-2 - Box 10

### Dependent care benefits

1. Total benefits paid to employees under a dependent care assistance program or cafeteria plan.
2. For 2021, the American Rescue Plan Act of 2021 permits employers to increase the maximum amount of dependent care benefits that can be excluded from an employee's income from \$5,000 to \$10,500 (if plan was timely amended)
3. Report all amounts paid or incurred, including those in excess of the maximum exclusion amount
  - Include any amounts over \$5,000 (or \$10,500) in boxes 1, 3 and 5
4. Include the fair market value of employer-provided or sponsored daycare facilities.
  - Daycare benefits paid to "highly compensated" employees can be excluded from taxable income only if all requirements are met

\*\* For more info see IRS Pub 15-B



# Updating IRS for Change in Address or “Responsible Party”

<b>Form 8822-B</b> (Rev. December 2019) Department of the Treasury Internal Revenue Service	<b>Change of Address or Responsible Party — Business</b> ▶ Please type or print. ▶ See instructions on back. ▶ Do not attach this form to your return. ▶ Go to <a href="http://www.irs.gov/Form8822B">www.irs.gov/Form8822B</a> for the latest information.	OMB No. 1545-1163
<b>Before you begin:</b> If you are also changing your home address, use Form 8822 to report that change.		
If you are a tax-exempt organization (see instructions), check here <input type="checkbox"/>		
Check <b>all</b> boxes this change affects.		
<b>1</b> <input type="checkbox"/> Employment, excise, income, and other business returns (Forms 720, 940, 941, 990, 1041, 1065, 1120, etc.)		
<b>2</b> <input type="checkbox"/> Employee plan returns (Forms 5500, 5500-EZ, etc.)		
<b>3</b> <input type="checkbox"/> Business location		
<b>4a</b> Business name		<b>4b</b> Employer identification number
<b>5</b> Old mailing address (no., street, room or suite no., city or town, state, and ZIP code). If a P.O. box, see instructions. If foreign address, also complete spaces below, see instructions.		
Foreign country name	Foreign province/county	Foreign postal code
<b>6</b> New mailing address (no., street, room or suite no., city or town, state, and ZIP code). If a P.O. box, see instructions. If foreign address, also complete spaces below, see instructions.		
Foreign country name	Foreign province/county	Foreign postal code
<b>7</b> New business location (no., street, room or suite no., city or town, state, and ZIP code). If a foreign address, also complete spaces below, see instructions.		
Foreign country name	Foreign province/county	Foreign postal code
<b>8</b> New responsible party's name		
<b>9</b> New responsible party's SSN, ITIN, or EIN. (CAUTION: YOU MUST REFER TO THE INSTRUCTIONS FOR FORM SS-4 TO SEE WHO MAY USE AN EIN.)		

- “Responsible party” is one who controls or manages directs entity (must provide responsible party’s Social Security Number).
- Use same form to change address.
- Report changes within 60 days to IRS using IRS Form 8822-B.
  - Wrong information could lead to missed IRS notices triggering penalties or notices of suspicious filings under ministry name
- If close ministry – write to IRS to close account
- Links for video, form, more info:
  - [www.youtube.com/watch?v=-vD0KolS124](https://www.youtube.com/watch?v=-vD0KolS124)
  - <https://www.irs.gov/pub/irs-pdf/f8822b.pdf>
  - <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
  - <https://www.irs.gov/newsroom/irs-businesses-charities-others-with-employer-identification-numbers-must-update-responsible-party-information-within-60-days-of-any-change>

# Other information

## Form W-4

- To claim withholding allowances - IRS estimator <https://www.irs.gov/individuals/tax-withholding-estimator>

## Form I-9

- Employment Eligibility Verification - no later than 1<sup>st</sup> day of work
- Physical presence inspection of documents may be deferred until April 30, 2022
  - <https://www.uscis.gov/i-9-central/covid-19-form-i-9-related-news/dhs-extends-form-i-9-requirement-flexibility-effective-january-1-2022>

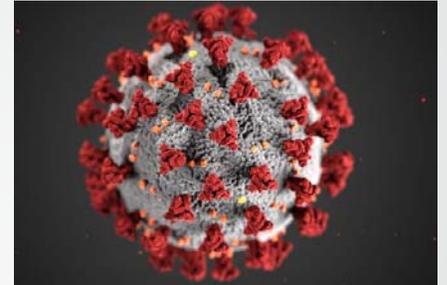
## New Hire Reporting

- Washington requires employers to report new hires within 20 days of the hire date
  - Call 1-800-562-0479 OR
  - <https://www.dshs.wa.gov/esa/division-child-support/new-hire-reporting>

## Health Coverage Notice

- Within 14 days employee starts work

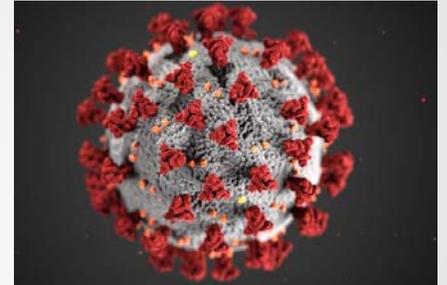
# COVID-19 Special Reporting: Employee Retention Credit



- 2021 ERC has different requirements and credit amounts than 2020
- Qualified employers:
  - Fully or partially suspend operations due to COVID 19 government order, or
  - Gross receipts decline in a quarter of 20% or more compared to the same quarter in 2019 or the immediately preceding period
- Refundable payroll tax credit = 70% of qualified wages
- Qualified wages for employers with 500 FTE (in 2019) or less for 2021 ERC wages
  - \$10,000 wages per employee, per quarter, 1/1/2021–9/30/2021
  - Wages must be subject to Social Security and Medicare taxes (N/A for ministers)
  - Wages NOT used to qualify for forgiveness of Paycheck Protection Loan
- Form 941-X to apply for ERC in 2020 or 2021, if haven't done so already.
- IRS FAQs: <https://www.irs.gov/newsroom/faqs-employee-retention-credit-under-the-cares-act>

# COVID-19 Special Reporting:

## Employee Retention Credit



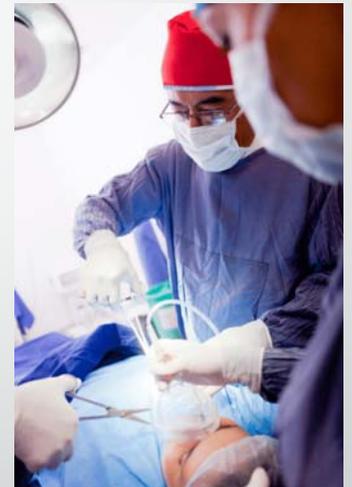
- Fully or partially suspend operations due to COVID 19 government order
  - if closed well into 2021, that wasn't necessarily because of a government order
  - requiring masks is specifically not allowed as a government regulation related to suspending operations
  - suspended operations are related to the church's ability to offer services, not the congregation's decision about attending
- Comparing gross receipts decline – for the 2<sup>nd</sup> quarter of 2021, use:
  - Q2 2021 vs. Q2 2019, or
  - Q1 2021 vs. Q1 2019
- Calculating FTE in 2019
  - ERC counts employees that worked over 30 hours per week, or 130 per month
  - PPP rules calculate FTE differently

# Continuation Health Care Under COBRA

## Premium Assistance and Tax Credit

April 1, 2021 to September 30, 2021

- COBRA generally requires employers to allow employees and their families to remain in a group health plan for a period of time after leaving employment.
- All employer group health plans are subject to COBRA except:
  - Plans of employers who normally employ fewer than 20 employees on a typical business day during the previous calendar year
  - Plans of federal, state, and local governments
  - Plans of churches or association of churches (see IRC 4980B(d))
- 100% reduction in the premium that individuals would have to pay when they elect COBRA continuation health coverage following a reduction in hours or an involuntary termination of employment
- Benefit period: April 1, 2021 to September 30, 2021
- Employers receive tax credits through Form 941 filings.
- IRS Guidance:
  - <https://www.irs.gov/newsroom/irs-provides-guidance-on-premium-assistance-and-tax-credit-for-continuation-health-coverage>





## Long Term Care Premiums

- Current law: Jan. 1, 2022 employers are to collect premiums from employees
- Administered by Employment Security Department
- Governor Inslee press release
  1. Plans to change/improve WA Cares Fund
  2. Directed ESD not to collect premiums until April 2022
  3. <https://www.governor.wa.gov/news-media/inslee-billig-jinkins-statement-delaying-wa-cares-fund-premium-assessment>
- Employer decision:
  1. Withhold LT Care premium on wages and if law changed, refund to employees.
  2. Don't withhold premiums on wages, and if law **does not** change, the amount that should have been withheld from employee wages will still be due.
  3. <https://ofm.wa.gov/state-human-resources/hr-projects/long-term-services-and-supports-ltsswa-cares-fund-employee-premium>

# Paid Family & Medical Leave

- 2022 Premiums
  - Increase to .6% of wages (from .4%)
  - Applies to wages of up to \$147,000 (was \$142,800)
  - Split 26.78% by employer, 73.22% employees
    - Was 36.67 employer, 63.33% employees
  - Employers with fewer than 50 employees are not required to pay the employer portion
- Employee benefit amount:
  - Up to 90% of typical weekly wage
  - 2022 maximum = \$1327 (up from \$1206)
- Mandatory employee notice:
  - <https://paidleave.wa.gov/employer-roles-responsibilities/>
- More information: <https://paidleave.wa.gov/employers/>



# Minimum Wage

- **WA State:**
  - 2020 = \$13.69
  - 2021 = \$14.49
- **Seattle minimum wage (2022):**
  - Large employers (501 or more) = **\$17.27**
  - Small Employers (500 or fewer)
    - **\$17.27 (was \$16.69 in 2021)** who do NOT pay at least \$1.69/hour toward the employee's medical benefits and/or where the employee does NOT earn at least \$1.69/hour in tips
    - **\$15.75 (was \$15 in 2021)** who DO pay at least \$1.69/hour toward the employee's medical benefits and/or where the employee DOES earn at least \$1.69/hour in tips
  - [http://www.seattle.gov/laborstandards/ordinances/minimum-wage?utm\\_medium=email&utm\\_source=govdelivery](http://www.seattle.gov/laborstandards/ordinances/minimum-wage?utm_medium=email&utm_source=govdelivery)
- **Washington State Overtime Rules:**
  - Exempt salary threshold of \$52,743.60 (\$1014.30 per week) - higher than the federal government (\$35,568)
  - Ministerial exemption applies
  - Video Resource – 6 min overview of FSLA: <https://foursquare.wistia.com/medias/gmr08whtez>
  - ECFA Booklet: <https://www.ecfa.church/ProductDownload.aspx?ProductID=106>

# New Washington State Nonprofit Corporation Act

- Applies to all nonprofit organizations and includes:
  - Electronic communications and meetings
  - Protections for charitable assets
  - Rights and duties of nonprofit membership organizations
- Attorney suggested the following (at minimum):
  - Bylaw legal review to update for new provisions and law changes
- Washington State Bar Association Summary:
  - [https://nwsidebar.wsba.org/2021/08/02/what-you-need-to-know-about-the-washington-nonprofit-corporation-act/?utm\\_medium=email&utm\\_source=govdelivery](https://nwsidebar.wsba.org/2021/08/02/what-you-need-to-know-about-the-washington-nonprofit-corporation-act/?utm_medium=email&utm_source=govdelivery)

# Suggested Resources for Ministries

- National Christian Foundation
  - [www.ncfgiving.com](http://www.ncfgiving.com)
- The Church Network (formerly National Association of Christian Business Admin)
  - National
    - <http://www.thechurchnetwork.com/>
  - Pacific NW Chapter of the Church Network (see Facebook)
  - [www.facebook.com/pages/Pacific-NW-Chapter-NACBA/612548092168404](http://www.facebook.com/pages/Pacific-NW-Chapter-NACBA/612548092168404)
- Church & Clergy Tax Guide
  - [www.store.churchlawandtax.com](http://www.store.churchlawandtax.com)
- Evangelical Council for Financial Accountability: [www.ecfa.org](http://www.ecfa.org)
  - Donor Restricted Contributions
  - Standards and Best Practices for Churches
  - Compensation Data
  - Sample Financial Policies

# WA and IRS Resources

- Washington State Department of Revenue
  - [www.dor.wa.gov](http://www.dor.wa.gov)
- Washington State Department of Labor and Industries
  - [www.lni.wa.gov](http://www.lni.wa.gov)
- Washington Unclaimed Property
  - <http://ucp.dor.wa.gov/>
- IRS
  - Credit for Sick and Family Leave  
<https://www.irs.gov/newsroom/covid-19-related-tax-credits-for-paid-leave-provided-by-small-and-midsize-businesses-faqs>
  - Employee Retention Credit  
<https://www.irs.gov/coronavirus/employee-retention-credit>

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# Next Webinar



**February 2, 2022**

**Minister Income Taxes Overview**

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# Thank you for joining us

Please reach out with any questions:

[info@battershellnichols.com](mailto:info@battershellnichols.com)

(253) 839-1620

