Paysmart

It's not payroll. It's people.[SM]

NEWSLETTER

July 2023

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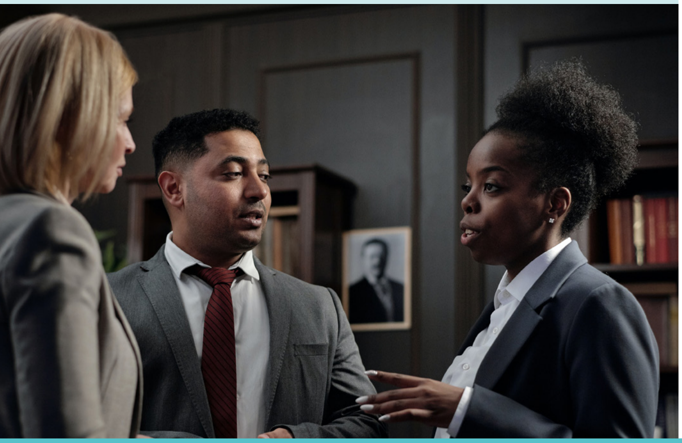


Another Disruption: Pay Transparency

Pay transparency has been in the news a lot lately. Still, many are unclear about what pay transparency actually means, how far it goes or what the results of pay transparency legislation will be.

There are good reasons for this. For starters, the laws on pay transparency are generally intended to address gender and other forms of bias in the workplace. However, they may cause unintended results instead, such as lower rates of morale and decreased engagement levels at work.

For example, within one week after New York City's pay transparency law was enacted, Bloomberg News reported that approximately 400 large national employers posted salary ranges, including minimum salary rates.

Surprisingly enough, these minimum salary rates for certain jobs were not even equivalent to 50% of the maximum salaries that were listed. This not only shows that pay rates are objective, but it can make potential employees who are job searching feel disrespected by employers' willingness to pay so little for the work at hand.

As it currently stands, more than 20 states and local jurisdictions have already passed pay transparency laws or disclosure-related rulings. Unfortunately, not all pay transparency laws are consistent across the board.

Some pay transparency laws only require employers to list pay ranges as part of their active job postings, while other laws are only required to disclose pay ranges if applicants or potential hires explicitly ask for this information. Other disparities may impact these laws and what they enforce.

For example, certain pay transparency laws do not require employers to include bonuses, tips, stock options or benefits when disclosing pay opportunities. There are many yet-to-be-answered questions regarding pay transparency laws as well.

For example, under New York state law, the only companies that must comply with the state's pay transparency law are those that employ four workers or more. However, certain questions often arise regarding whether remote employees are included in the calculation of employees under New York state law or if the law only applies to employees who are physically located in the state.

Regulations will typically clarify many of these issues, but that is not helpful for employers who are trying to be compliant in the meantime. While it can be confusing, one thing is clear: Employees and job seekers alike should be able to search the internet to see how much money people in similar positions earn. This is a fact that all employers should keep in mind, whether or not they are located in a state that currently has pay transparency laws in place.

Employers should also understand that they might be exempt from state-related pay transparency rules for now, but their current status does not promise their exemption forever. Employers should think about how they would handle compliance with pay transparency laws, despite how they may affect their business.

This is because employees, as a whole, are more likely to understand what their pay should be, thanks to pay transparency measures being taken across the board. Ultimately, pay transparency is equipping employees with power they did not have before, and it is making it harder to attract talent when the pay is subpar.

Pay transparency as a differentiator

A good way for employers to differentiate themselves from their competition is by recognizing the dollar value of their benefits package. Benefits can make up a significant percentage of an employee's salary.

For example, if an employer offers to pay 100% of their employees' health care costs or 80% of their health care costs in addition to dental or vision coverage, these benefits can total between 10% and 25% of the employees' annual salaries. Ultimately, employers should be very specific about the benefits that they offer.

Benefits like tuition reimbursement, for example, can translate to a dollar amount in the same way health care coverage can. It might also be a benefit that employers in the same field are not offering, which can give you a leg up as an employer and a reason for potential hires to accept your job offer over offers for the same position with other employers.

When speaking to applicants about the benefits you offer as an employer, present the dollar amount of the benefits as well as what that value amounts to as a percentage of the salary being offered.

For instance, someone who has a job offer for a salary of $50,000 and a benefits package worth 25% of that would have a package that amounts to $12,500. This means that the employee would effectively earn $62,500 in total.

Legal concerns about pay transparency

Many state and local pay transparency laws are relatively ambiguous in terms of what they require of employers. For example, employers should consider the following information:

- What do pay transparency laws say about jobs performed remotely?
- What happens if a remote worker needs to work in the jurisdiction a few times each year?
- Do pay transparency laws apply to jobs performed by seasonal workers?
- What about part-time employees, interns and independent contractors?
- How do pay transparency laws affect bonuses, tips and stock options?
- Can an employer ask an applicant about their pay history?

Statistics highlighting the importance of pay transparency

A recent ResumeLab survey reported that 80% of people stated that they would refrain from applying for a job if the salary range was not included in the job listing. Additionally, approximately 79% of people said they believe employers do not include salary information when posting job opportunities because they do not want current employees to realize they are being underpaid.

These statistics are just two of many instances that reflect the importance of pay transparency, especially for job applicants. Likewise, employers should take the time to consider the impact of pay transparency on the company's retention rates and recruitment efforts.Pay-as-you-go workers' compensation insurance is designed to smooth out the premium changes that occur during the year as employees come and go.

Is This Your Situation: Figuring Out Your Business Taxes

The type of business will determine the type of taxes that will be required to be remitted.

Income Taxes

You know this tax — it gives the government a share of your net income. Generally, all businesses must file an annual income tax return. The forms that the business will be required to file will depend on how the business is organized. Businesses organized as C Corporations generally will pay the income tax at the entity level. However, businesses organized as pass-through entities (such as S Corporations and Partnerships), generally, pass through the income tax liability to the individual shareholders.

Payroll Taxes

For employers with employees, the company must withhold and pay certain taxes on behalf of its employees. The following types of payroll taxes may be required: Social Security and Medicare taxes, federal and state income tax, and federal unemployment tax.

The Federal Insurance Contributions Act regulates the collection of Social Security and Medicare taxes. Employers must withhold Social Security tax and Medicare tax. There is a salary ceiling above which no more Social Security is collected, and it is typically adjusted every year. There is no limit on the amount of wages subject to the 1.45 percent Medicare tax.

Income tax withholding is based on the withholding conditions the employee states on his or her W-4 form, the employee's taxable wages, and the taxing authorities withholding table that matches the employee's situation.

Payroll taxes and withholdings are held in trust by the business until the business makes the required tax deposits. Failure to collect, truthfully account for and pay these taxes can result in large penalties and is not dischargeable in bankruptcy. The fines and penalties can be up to a $10,000 fine or five years in prison, or both.

Excise Taxes

If a business manufactures or sells certain goods the company

may have to pay federal or state excise taxes. These are basically extra taxes for the use or consumption of certain products. Some manufacturers or resellers include these "duties" in the price of the product (such as with cigarettes and gasoline). Businesses pay excise taxes on such things as ozone-depleting chemicals and fuel, and purchases of trucks, trailers and semitrailers, and sport fishing equipment, for example.

Business taxes can get complicated quickly, so be sure to keep in close touch with us to make sure you're in full compliance.

Things To Put in Your Job Offer Letter

The specifics of what to include in a job offer letter will vary based on the company, the expectations for the role and details regarding the candidate. That said, it can still help to read about suggestions regarding what you should put in your job offer letter. Below are a handful of elements that can be smart to include in an offer letter regardless of the job being offered.

Job title and description

State the official title the candidate will hold as an employee. Provide a description of the job, including a concise overview of the job duties. Keep in mind that you do not have to list every single work duty. Simply summarize the most crucial duties and make it clear that the job duties you've included do not represent all the responsibilities of the position.

Key dates

Provide the expected date the candidate will begin working for your company. You can include other critical dates, like the date of a new-hire orientation meeting. You can also include an expiration date for the offer letter so the candidate knows how long they have to think about the job offer before they either accept or reject it. Including an expiration date is also a good idea because it gives you time to either negotiate with the candidate or switch gears and extend the job offer to someone else if the initial candidate turns down the job offer.

Reporting structure

State the name and job title of the person whom the candidate will report to directly. This will familiarize the candidate with someone in the company to whom they can turn with questions or concerns.

Work schedule and location

Clarify whether the position is full or part time. Include the work schedule the candidate can expect to have to adhere to, such as a start time of 8 a.m. and a stop time of 5 p.m. Also, specify the expected work location, whether it's remotely for work-from-home positions

or in the office for positions that require in-person attendance. If you are offering a position that entails hybrid work, make sure you identify which days the employee will be expected to work from the office and which days they should telecommute. Be sure to also indicate whether either of these conditions is subject to change.

Exempt or nonexempt classification

You will need to properly classify the new hire as either exempt or nonexempt, which is a requirement mandated by federal, if not state, law. If the position is exempt, the offer letter should state that the employee is not eligible for overtime. If the position is nonexempt, the offer letter should include that the employee will be eligible for overtime as long as it is a benefit offered by the company. Take a moment to explain to candidates applying for nonexempt positions that they will need to record their work hours within your company's timekeeping system.

Compensation

State the pay the employee will receive and whether they can expect either an hourly wage or a salary. Include the pay frequency as well, which will typically be weekly, biweekly or semimonthly. For salaried employees, you can include both the annualized and pay period salary amounts in the job offer letter. Mention that the pay is subject to change based on various factors, such as the outcome of a performance evaluation. Additionally, describe the benefits the employee will be eligible for, like health insurance, a 401(k) plan and paid time off. You can also include applicable bonuses and commissions.

At-will employment

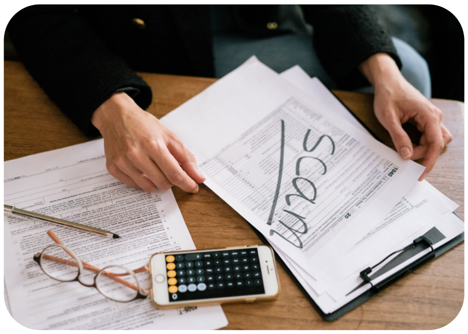
Include an at-will employment clause to emphasize to the candidate that employment can be terminated by either the employer or the employee at any time and for any legal reason.

Applicable contingencies

Describe the contingencies surrounding the offer, such as the need for the candidate to pass a background check, a drug test, a reference check and an employment authorization check. The offer letter should also include confidentiality or employment agreements the new hire will need to sign prior to officially becoming an employee of the company. Finally, keep in mind that there may be other state and federal regulations that will affect what you can and cannot say in an employment offer letter. Make sure you look into these, and always treat job offer letters seriously.

How to Recognize a Scam

Nearly everyone has received an email, text or phone call that sounds legitimate but is a scam. Scammers have gotten quite sophisticated, and even savvy individuals have been taken in. As reported in the FBI's Internet Crime Report, more than $10 billion in losses from online scams were reported to the FBI in 2022, the highest annual loss in the past five years. There were some surprising findings in the report; people over 60 accounted for $724 million, or more than two-thirds of the reported losses from call center fraud. Call center fraud occurs when scammers call someone impersonating tech support or government agencies. Another surprise was that people in their 30s filed the most fraud complaints in 2022.



Being the victim of a scam can be costly and is certainly unnerving. According to the Federal Trade Commission, the five top commonly reported scams in 2022 were imposter scams; online shopping scams; prizes, sweepstakes and lotteries; investment-related scams; and business and job opportunities.

Red flags to watch for

Here are five red flags that may indicate someone is trying to scam you:

1. Government agencies such as the IRS and the Social Security Administration generally use the U.S. Postal Service to contact taxpayers. If you receive a suspicious call, text, email, social media message or letter from someone claiming to be from a government agency, hang up or ignore the message.

You may wish to confirm it was a potential scam by calling the agency on their official phone number and speaking with an agent. The same is true if you believe the scammer pretended to be from a company or a nonprofit organization. Call and ask whether they sent the communication.

2. Scammers often call with an urgent request. It is easy to be ruffled if someone calls saying a family member has been in an automobile accident and needs money immediately, but it is equally important to take a minute before reacting.

3. If an offer sounds too good to be true, it probably is. Whether the offer is for goods or services, trust your gut when it comes to responding to an offer. Job offers that require purchasing product and sweepstakes that ask for payment before the prize is revealed need to be investigated before sending money.

4. Be sure to carefully check the spelling and the domain of the email address. Scammers often spell things incorrectly. For example, "Amazon" may appear as "Amazn." It is easy to miss a mistake like that because you think you are reading "Amazon." Similarly, an email may come from "amazon.net" rather than "amazon.com." These errors and others like them are clues that the email is a scam.

5. Payment methods must also be vetted. Requests that require payment via PayPal, Venmo, Zelle, etc.; gift cards; prepaid debit cards; cryptocurrency; or wire transfer likewise must be questioned and investigated. Scammers use these forms of payment because they are hard to trace.

Steps to take if you suspect a scam

Take these steps even if the scammer has personal information that makes the scam seem real:

1. Do not respond emotionally. Take the time to think through the situation.

2. Never click on any links or attachments.

3. Never disclose personal information such as a Social Security number, a bank routing number, savings or checking account numbers, or investment account numbers.

4. If you are unsure if a request is legitimate, contact the company directly to verify.

5. Let others know about the scam so they do not fall for it.

6. Report the scam to the Federal Trade Commission, local law enforcement or the state attorney general's office.

The bottom line? Develop a healthy skepticism, and don't respond to any unsolicited mail before researching the source.

A New Look at SECURE Act 2.0 Issues

The SECURE Act 2.0 has a new provision that speaks to the nature of auto-enrollment for new 401(k) plans. All eligible hires will be required to enroll at a pretax rate of 3% at the minimum. Furthermore, the mandatory enrollment will come with an auto-escalation of 1% annually, but this is only effective until the salary reduction reaches 10% at a minimum and 15% at most. The goal is to incentivize the people who participate in retirement savings accounts.

The SECURE Act 2.0 is part of the Consolidated Appropriations Act of 2023, but the majority of the provisions won't be put into effect until 2024 or 2025, if not later, so there is still a lot of time to work out the concepts of these provisions and then implement them.

As part of the mandatory auto-enrollment aspect of new retirement savings plans, employers are permitted to provide employees with the option to choose which contribution level they want to opt in to, but they must let them know that the default contribution level is 3% pretax, which they will be enrolled in if they do not specify otherwise. These details are effective for new retirement savings plans that are established after Dec. 31, 2024.

What else is happening with the new provisions?

To start, catch-up contributions will be enhanced. As of now, the current mandates permit employees over the age of 50 to make catch-up contributions with the goal of increasing the size of their retirement savings plans as they inch closer to the age of retirement.

Currently, there is a catch-up contribution limit of $7,500 per person for those between the ages of 50 and 59. However, with the new catch-up contributions in mind, people ages 60 to 63 can make catch-up contributions of either $10,000 or 150% of the regular catch-up contribution value for 2024.

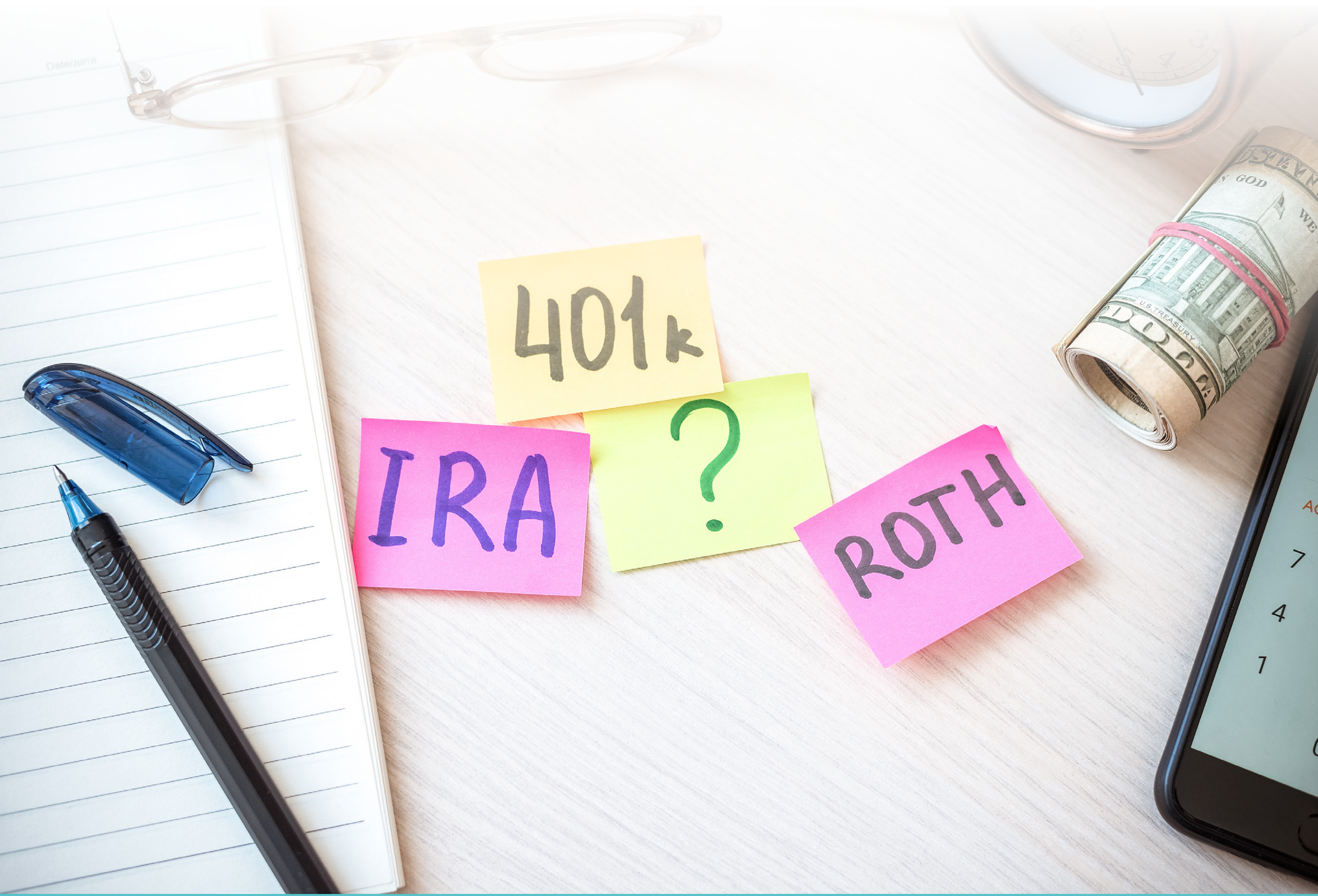
The higher catch-up contribution value will be applicable to people who either already are 60, 61, 62 or 63 or will turn one of these ages within the applicable tax year. Required Roth catch-up contributions for high-income earners — those who are making more than $145,000 per year — have to be contributed on a Roth basis, meaning post-tax.

This detail is required for all plans that offer the option to make catch-up contributions. Also, this detail will go into effect for tax years that follow Dec. 31. When it comes to emergency savings accounts, or ESAs, there will be many changes as well.

For starters, access to ESA funds will be permitted under certain circumstances beginning in 2024. Access will be granted to participants who wish to make an emergency savings withdrawal of no more than $1,000 per year without having to pay any early withdrawal penalties or fees. The emergency withdrawal amount will need to be repaid within three years of the withdrawal date.

The emergency withdrawals can be made at any point in time on a post-tax basis. While matching contributions from the employer to the employee may be available depending on the employer, the matching contributions will be placed in the employee's 401(k) account, not their ESA.

Auto-enrollment in ESAs is a possibility, though employees will be auto-enrolled at a rate of 3% with contributions being limited to



no more than $2,500. And the only employees who are eligible for ESAs are those who are not considered to be compensated highly. These employees are allowed to withdraw four times without incurring any fees, though only one withdrawal per month is allowed.

The dollar amount of the employee's regular contributions and the balance at the time of requesting a withdrawal do not affect the employee's ability to make an emergency withdrawal. Employees can cash out the money in their ESAs or combine the funds with Roth 401(k) accounts and IRAs.

The infrastructure needed to implement this provision is expected to be very complicated, and while it has been said that the provision will be effective as of 2024, this deadline is also thought to be a bit too optimistic, so stay tuned. While these provisions won't be effective immediately, they are complex, so it's important to familiarize yourself with them ahead of time. But these provisions are not the only ones to get acquainted with!

There are plenty more, including one provision, the Saver's Match, that will go into effect sometime in 2027 and is intended for lower-income individuals. The Saver's Match provision will replace the Saver's Credit, which is the current standard for lower-income individuals who contribute to retirement savings accounts.

Those who contribute are eligible for a government-funded match to their contributions to an IRA or employer-sponsored retirement plan, with the value of the match being 50% and up to $2,000 per person. These matching contributions are considered to be income increases, ranging between $41,000 and $71,000 for those who file jointly.

But this is only the very beginning! Consult qualified legal and financial experts to see how these rules will affect you.

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