



Paying people used to be simple.

More and more federal and state regulations have complicated the payroll process. Important changes in 2017 include the State of Michigan minimum wage increase to \$8.90 per hour for wages earned starting January 1, 2017. Following are changes for 2017.

2017 Payroll Changes

Social Security Wage Base. The 2017 wage base will be \$127,200. The employee and employer match will be 6.2%. The maximum deduction will be \$7,886.40 ($\$127,200 \times 6.2\%$).

Medicare Tax. As in prior years, there is no limit to the wages subject to the Medicare Tax; therefore, all covered wages are still subject to the 1.45% tax. Wages paid in excess of \$200,000 will be subject to an extra 0.9% Medicare tax that will be withheld only from employees' wages.

Health Flexible Spending Arrangements. The dollar limitation on voluntary employee salary reductions for contributions to a health flexible spending arrangement (FSA) is \$2,600.

Medical Savings Accounts. A high-deductible health plan is a plan with an annual deductible of \$2,250-\$3,350 for individual coverage and \$4,500-\$6,750 for family coverage.

IRA Contribution Limits. The 2017 contribution limit for Simple IRAs is \$12,500. The catch-up contribution for those age 50 or older by December 31, 2017, is \$3,000.

401(k), 403(b) and 457 Contribution Limits. The contribution limit for these plans' employee deferrals is \$18,000. The catch-up contribution for those age 50 or older by December 31, 2017, is \$6,000.

Dependent Care Limits. The maximum exclusion from gross income under a dependent care program is \$5,000 for an individual or a married couple filing jointly.

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Items to Consider Before December 31, 2016

- **Employer HSA contributions.** Employer contributions for 2016 need to be reported on the 2016 W-2. These are reported in Box 12, code W.
- **Group Term Life Insurance.** If you provide group term life insurance in excess of \$50,000 of coverage, calculate the taxable benefit and add it to the employees' wages prior to preparing W-2s.
- **S Corp Health Insurance Premiums.** If you are organized as an S Corporation, include company-paid health insurance premiums for each shareholder on their W-2s.
- **Pension limits for 2016**
 - **IRA Contribution Limits.** The 2016 contribution limit for Simple IRAs is \$12,500. The catch-up contribution for those age 50 or older by December 31, 2016, is \$3,000.
 - **401(k), 403(b) and 457 Contribution Limits.** The contribution limit for these plans' employee deferrals is \$18,000. The catch-up contribution for those age 50 or older by December 31, 2016, is \$6,000.
- **Verify social security card and payroll name match.** If any of your employees are currently using a name that does not match their Social Security card due to marriage, divorce, citizenship change or any other reason, they need to obtain a new card from the Social Security Administration (SSA).
- **Software updates.** If you process your own payroll, please ensure you are using the correct employee payroll tax withholding rates before processing the first payroll in 2017. Be sure all necessary updates have been completed and you are on the most recent version. For help, contact your software provider.
- **Auto usage.** If your employee uses a company vehicle, calculate this taxable benefit and add the amount to the employee's wages prior to preparing W-2s.
- **Form W-4.**
 - Employers should remind employees to file an amended W-4 if their filing status, exemptions or exempt status has changed during the year.
 - If you have employees claiming exempt from federal withholding on their 2016 Form W-4, this form expires January 31, 2017. If a new form is not submitted by February 15, 2017, IRS regulations require you to change the allowances to "zero" and the filing status to "single" until a new form is received. You may download a W-4 at www.irs.gov or you may contact our office.
- **Be certain your W-2s are compliant.**
 - Include all taxable fringes in the year-end payroll.
 - This includes items such as personal use of business auto by an employee.
 - The cost of medical insurance for a more than 2% S Corporation shareholder.
 - Additionally, if you paid wages in excess of \$200,000 to any employee, be certain the 0.9% Medicare surcharge has been properly withheld from the employee's pay.
 - If you issued more than 250 W-2s in 2016, then 2017 W-2s must include reporting the cost of employer-sponsored health insurance in Box 12.
 - W-2 forms must be submitted electronically if your company has more than 250 W-2s.
 - If you have third-party sick pay, determine who is responsible for preparing the W-2s.

Contact your Yeo & Yeo Payroll Services professional for assistance.
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