

### This Month:

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### What's New with Form W-4?

For decades, employees have been completing their "Withholding Allowance Certificate," also known as Form W-4, by indicating the number of allowances they wish to claim based on their number of personal exemptions. This amount, along with the employees' gross pay, corresponded to an amount on an IRS table to determine the amount of federal withholding. While not exactly perfect, the system worked. On May 31<sup>st</sup>, the IRS released a draft of a redesigned Form W-4 in an effort to calculate withholding more accurately after the elimination of personal exemptions enacted by the Tax Cuts and Jobs Act.

The new method by which employers would calculate withholding from employees' pay was drastically different from the way it's been done in the past. Padgett Business Services, among others, expressed their concerns to the IRS that the change and the lack of time to educate the public on the new form would place an undue burden on employers, creating more opportunities for error leading to over-withholding. To get their money back, employees would have to wait until they file their personal income tax return to obtain a refund. The IRS has indicated that it's heard the voices of the public and has made various concessions. We expect the final version of the form, along with its instructions, to be released sometime this month. Don't wait until then to meet with us to learn more about these changes and what they mean for your business. Let us handle the administrative changes now, so you can focus on growing your business and serving your clients.

### 2020 Social Security Wage Base and Nanny Threshold

**Social Security Wage Base:** The maximum amount of wages subject to the 6.2% Social Security tax will rise from \$132,900 to \$137,700 in 2020. Medicare tax rates and wages bases will remain the same as 2019.

**Nanny Tax Threshold:** The maximum wages that can be earned by a household employee without being subject to Social Security or Medicare tax, often referred to as the "nanny tax", will increase to \$2,200 in 2020. Amounts paid above this threshold to anyone who works in and/or around your home such as babysitters, housekeepers and yard workers, are subject to payroll tax.

## Healthcare Reminders

The Open Enrollment Period for purchasing coverage through the marketplace for 2020 will expire on December 15<sup>th</sup>. You may also qualify for Special Enrollment Periods outside of Open Enrollment if you experience qualified life event, such as marriage, divorce or birth of a child. The Tax Cuts and Jobs Act (TCJA) enacted at the end of 2017, repealed the individual mandate, so you will no longer be penalized for failing to maintain minimum essential coverage after 2018. If you purchased health insurance from the marketplace/exchange in 2019 be on the lookout for Form 1095-A, *Health Insurance Marketplace Statement*, as you will need this to complete your individual tax return!

## Best Practices for Small Businesses this Holiday Season

The holiday season can be a lucrative time for businesses. However, It's also one of the busiest times of the year. If small business owners aren't prepared to handle this busy season properly, they may miss out on important opportunities and/or lose money because of errors that could have been avoided. Below are some tips to help your business make the most of the holiday season.

**Hire and train seasonal employees.** Many companies experience an influx of business during the holiday season. In many cases, this causes employees to be overwhelmed and more prone to making errors. Extra business can also slow down service, leading to frustrated customers. To avoid this problem, consider hiring some seasonal employees to help lighten the load. However, be sure to let these employees know how long they can expect to work for your company so they aren't surprised when the season ends. You should also spend some time training these employees to ensure that they are prepared for the job.

**Decorate your store.** Decorating your store for the holidays is one of the best ways to draw in consumers. Consumers are much more likely to enter a store that is festively decorated than one that looks the same as it does on every other day of the year. If possible, decorate both the exterior and interior of your store.

**Purchase extra inventory.** Increased business during the holiday season means that you're likely to make more sales. However, if you run out of your most popular products, you'll miss out on an opportunity to boost your bottom line, and your customers will be disappointed when they're not able to purchase the products they want. To prevent these problems, invest in extra inventory at the beginning of the season.

**Optimize your accounting practices.** As you begin doing more business during the holidays, ensuring that your accounting procedures are accurate & efficient is just as important as staffing and purchasing extra inventory. Before the holiday season is in full swing, take some time to review your accounting procedures. If managing your books is preventing you from accomplishing tasks that could directly grow your business, contact us to discuss how we can help!

**Create a holiday-themed marketing campaign.** Rather than just using the same marketing strategies and advertisements that you use during the rest of the year, create a holiday-themed campaign to excite consumers and highlight special products or deals you're offering during this season.

These are just a few ways you can improve your small business' efficiency and profitability during the holiday season. For more small business tips or to learn more about our services, please contact us today!

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**PADGETT BUSINESS SERVICES®** is dedicated to meeting the compliance, profit & financial government reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.

**Planning For Your Dreams**