



# Payroll Insights

Employment tax news to guide you  
now and for the future

November 2023



## John's fresh take: 2023 Year-End Payroll

With year-end fast approaching KPMG LLP and Bloomberg Tax and Accounting has teamed up once again to provide a Year-End Report and Checklist. The report covers an array of topics including policy issues, changes in the tax code, and historical concerns that are common at year-end. The report also includes a checklist that provides the dos and don'ts to have a successful year-end. [Click here](#) to access the checklist. (The report will be available towards the end of November)

### Federal updates

#### Employee Retention Credit withdrawal process

The Internal Revenue Service (IRS) has announced a [new withdrawal process](#) to help small businesses and organizations that filed an Employee Retention Credit (ERC) claim, have not actually received the credit, and may be concerned about the accuracy of the filed claim. This new withdrawal option allows certain employers to withdraw their submission and avoid future repayment, interest, and penalties.

Claims that are withdrawn will be treated as if they were never filed and the IRS will not impose penalties or interest. However, those who willfully filed a fraudulent claim or assisted or conspired in such conduct should be aware that withdrawing a fraudulent claim will not exempt them from potential criminal investigation and prosecution.

The IRS has received approximately 3.6 million claims for the credit over the course of the program, and it has hundreds of criminal cases under review with thousands of ERC claims referred for audit. Last month the IRS announced an immediate moratorium on processing new ERC claims until at least the end of this year due to a flood of ineligible ERC claims. Payment of approved claims submitted before September 14, 2023 will continue during the moratorium period but at a slower pace due to more detailed compliance reviews. Existing ERC claims will go from a standard processing goal of 90 days to 180 days, and much longer if the claim faces further review or audit. The IRS may also seek additional documentation from the taxpayer to ensure the claim is legitimate. The IRS continues to warn taxpayers to use extreme caution before applying for the ERC and is working on guidance to help employers that were misled into claiming the ERC and have already received their refund.



## Department of Labor overtime proposal to remain at 60 days

In September of 2023 the Biden Administration announced a [proposal](#) to expand time and a half pay protections to more workers by changing the exemptions to overtime eligibility. The change should boost worker's economic security; however, this has been met with criticism by business groups on whether those goals would be achieved.

The US DOL has declined requests to extend the comment period on the proposal. The Department has been quoted to say that it continues to believe that the original 60-day comment period is an adequate amount of time to provide notice and opportunity for the public to comment on the proposal.

## Social security wage base increase

The Social Security Administration (SSA) has announced via October 12 [blog update](#) an increase of the 2024 social security wage base to \$168,600, up from \$160,200 in 2023.

For 2024, the maximum Social Security tax payable by each employee will be \$10,453.20, or 6.2% of the taxable wage base which is an increase of \$520.80 from \$9,932.40 in 2023. Employers will match with an equal contribution.

Medicare tax remains at 1.45% applicable to all wages paid during the year. For individuals earning \$200,000 or more (250,000 for married couples) an additional 0.9% is required. Although employers are required to match the 1.45%, they are not required to match the Additional Medicare withholding of 0.9%.

## Federal contractor minimum wage

According to an [official notice](#) Effective January 1, 2024 the federal contractor minimum wage is set to increase to \$17.20 from \$16.20 in 2023. This applies to both tipped and nontipped employees covering contracts entered, renewed, or extended on or after January 30, 2022. The federal contractor minimum wage refers to the minimum wage that must be paid to workers employed by companies that have contracts with the federal government.

Contract signed, renewed, or extended before January 30, 2022 fall under executive order 13658. As stated in a separate notice issued by the department on September 28, 2023, the minimum wage for these contracts will increase to \$12.90 from \$12.15. Tipped employees working under these contracts for federal contractors may receive a cash wage increase from \$8.50 to \$9.05.

## IRS releases draft instructions for EIN application

The Internal Revenue Service (IRS) has released a [draft](#) of updated instructions for Form SS-4, Application for Employer Identification Number (EIN). The draft instructions indicate that Line 14 will be reserved for future use, and that for tax year 2023, new businesses with certain requirements and potentially eligible to file Form 944 must request to file Form 944 (instead of Form 941) by calling or writing the IRS. The instructions for Form 941, Employer's Quarterly Federal Tax Return, contain guidance on switching from filing Form 944 to 941 and vice versa. The draft instructions also mention that the version of the form for Puerto Rico, Form SS-4PR, is planned to be replaced by a generic Spanish version, Form SS-4SP. Form SS-4 and its instructions were last revised in December 2019.

## IRS launches new initiatives using Inflation Reduction Act

The Internal Revenue Service (IRS) has announced [new initiatives](#) to improve compliance among high-income individuals, complex partnerships, and large corporations. These initiatives aim to ensure that these entities pay the taxes they owe. The IRS is also continuing to improve customer service and modernize core technology infrastructure, including the launch of the business tax account. One of the initiatives is the large foreign-owned corporations transfer pricing initiative, which targets U.S. subsidiaries of foreign companies that distribute goods in the U.S. and do not pay their fair share of tax on the profit they earn from their U.S. activity. The IRS is also expanding the Large Corporate Compliance program and cracking down on the abuse of repealed corporate tax breaks. Additionally, the IRS is prioritizing high-income cases and pursuing high-income, high-wealth individuals who have not filed their taxes or failed to pay recognized tax debt.

## State updates

### Arkansas unemployment insurance rate range increase

According to Arkansas' unemployment insurance employer [newsletter](#), its 2024 unemployment insurance tax rates and wage base. Rates range from 0.225% to 10.125% from January 1, 2024 through June 30, 2024, and an administrative assessment of 0.125%.

### Arizona minimum wage increase

According to the Arizona Labor Department [website](#) the minimum wage will increase to \$14.35 from \$13.85 effective January 1, 2024. The tipped minimum wage will also increase to \$11.35.

### California 2024 disability rates and unemployment insurance rate update

According to the [California Employment Development Department](#) effective January 1, 2024, the state will be increasing the disability insurance withholding rate to 1.1% and eliminating the disability insurance's taxable wage base. As such, employees will withhold 1.1% from all covered wages for California disability insurance for 2024.

The 2024 unemployment insurance tax rates and wage base will have no change for 2024, as such the rate and wage base will remain unchanged.

### East Palo Alto, California minimum wage increase

According to an [official notice](#) from the City of East Palo Alto, California, starting January 1, 2024, the new minimum wage rate is \$17.10 for employees working in the city for at least two hours in a calendar week. The new rate is up from \$16.50 in 2023.

### Menlo Park, California minimum wage increase

According to a [Public Notice](#) from the City of Menlo Park, California, starting January 1, 2024, the new minimum wage rate is \$16.70 for employees working in the city for at least two hours in a calendar week. The new rate is up from \$16.20 in 2023.

### Mountain View, California minimum wage increase

According to an [official notice](#) from the City of Mountain View, California, starting January 1, 2024, the new minimum wage rate is \$18.75 for employees working in the city for at least two hours. The new rate is up from \$18.15 in 2023.

### Redwood City, California minimum wage increase

According to the city website [update](#) Redwood City, California, starting January 1, 2024, the new minimum wage rate is \$17.70 for employees working in the city for at least two hours. The new rate is up from \$17.00 in 2023.

### San Diego, California minimum wage increase

According to an [official notice](#) from the City of San Diego, California, starting January 1, 2024, the new minimum wage rate is \$16.85 for employees working in the city for at least two hours. The new rate is up from \$16.30 in 2023.

### San Jose, California minimum wage increase

According to the [website](#) for San Jose, California, starting January 1, 2024, the new minimum wage rate is \$17.55 for employees working in the city for at least two hours.

### Vermont unemployment insurance wage base increase

Vermont released its unemployment insurance tax rates and taxable wage base for 2023 via the state labor department [website](#). Rates will continue to range from 0.4% to 5.4%. The taxable wage base will increase from \$13,500 to \$14,300.

### Wisconsin unemployment insurance rate range increase

According to the Wisconsin state workforce development employer [newsletter](#) released its unemployment insurance tax rates and taxable wage base for 2023. Rates will range from 0.05% to 4.45%. The taxable wage base will remain unchanged of \$14,000



## Get to know one of our Employment Tax professionals: Rocheen D'oyley

Meet Rocheen, a Senior Associate based in the KPMG Atlanta office. With over 6 months of experience at the firm, Rocheen specializes in helping clients with notice resolutions, payroll tax compliance, and worker classification audits. When she's not working, Rocheen loves to spend time learning new skills and exploring new places. She also enjoys traveling to New Jersey to visit her family and friends.

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