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Compliance at Greenshades

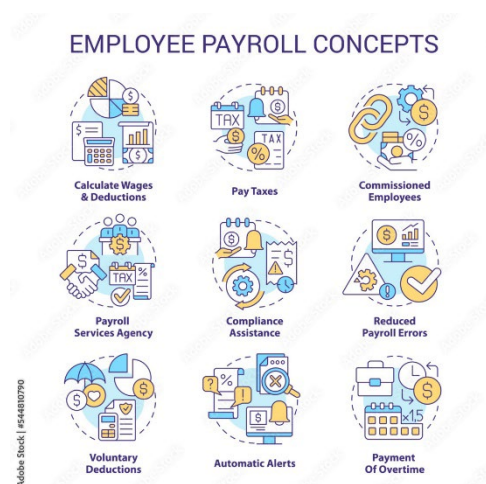
Each issue, we will discuss topics that the Greenshades Compliance team tracks and maintains. Here are several more that you may not be aware that Greenshades supports.

Year End Filing:

This is a project that Compliance starts working on in the early part of the Tax Year to have all changes and updates provided to the developers to have everything ready by Mid-December. The Federal government has already started to publish Tax Year 2026 forms. Most states and locals will start to post changes to the specifications /or filing formats and forms in the later part of the year.

In addition to creating the applicable e-files to submit, Greenshades provides the opportunity to select whether you print and distribute the forms to the recipients or have Greenshades print and distribute the forms for you. Contact Sales if you have any questions.

Compliance also tracks changes to W-4 forms both at the federal and state levels.



Interesting fact: If an employee claims “exempt” on their W-4 to have zero federal income taxes withheld, that W-4 will expire the following year. If they do not complete a new W-4 by February 15th of the following year, the withholdings will default to Single with no additional credits.

- North Carolina (Unemployment) – Effective 8/23/2025 initiated Multi-Factor Authentication to log onto the NC SUITS portal.
- North Carolina (Withholding) – Effective 11/23/2025 had a URL change to the portal for remitting eNC3 and eNC5Q.
- Michigan Unemployment – the old system MiWAM will start to phase out between November 7 and December 5 to start the launch of MiUI, the new portal for remitting the wage report and contribution payment. You will need to create a login with information provided by the state. ***This has been postponed to sometime in 2026.***
- Michigan now has a One-Stop login solution for businesses at <https://milogintp.michigan.gov/uisecure/tpselfservice/>
- Effective 1/1/2026, Rhode Island employers are required to provide new employees with a written notice at the state of employment that includes wage payment information.
- Effective 1/1/2026, Washington state employers reporting requirements for unclaimed wages will reduce the aggregate reporting amount from \$50 to \$5. Also, Due Diligence notices must be sent out for all amounts of unclaimed wages of \$50 or more.
- Effective 1/1/2026, NYS PFML rate for employees will be .432% of wages. This translates to a maximum of \$411.91 employee contribution.
- Effective 1/1/2026, the employer portion (based on the contribution) of state mandated PFMLI benefit is considered wages.
- Kentucky now uses the MyTaxes.ky.gov portal to transmit the W-2 and 1099 files. You must have a “Transmitter” account to complete the uploads. This is in addition to your regular online account. Refer to [this document](#) for assistance.
- Only California and Virgin Islands will be on Form 940 Schedule A, Federal Unemployment Tax Act credit reduction. California is 1.2% and the Virgin Islands is 4.5%.
- The Social Security taxable wage base for 2026 is ~~\$183,600~~: \$184,500.
- The additional codes on the 2026 W-2 are TA—Employer contributions under a section 128 Trump account contribution program; TP—Total amount of cash tips reported to the employer. TS—Total amount of cash tips reported to the employer. TT—Total amount of qualified overtime compensation.
- OBBBA TY2026 changes to the 1099-MISC: Box 13a – Cash tips, Box 13b – Treasury tipped occupation code, and Box 14 – Overtime compensation.
- OBBBA TY2026 changes to the 1099-NEC: Box 1b- Cash tips, Box 1c -Treasury tipped occupation code, and Box 1d – Overtime compensation.
- OBBBA TY2026 changes to the 1099-K: Box 1c – Cash tips and Box 1d – Treasury tipped occupation code.
- PA PSD code 560301 Callimont Borough is merging into Larimer Township PSD code 560304. This is effective Jan 1, 2026, but Q4 2025 is expected to be reported to Larimer Twp.
- PA PSD code 370602 South New Castle Borough merged into Shenango Twp PSD code 370601 effective Jan 1, 2026.
- Keystone Central School District Collections will be transferred to Berkheimer Tax Collections, effective January 1, 2026.
- PA PSD code 170305 Sandy Township is merging into DuBois City PSD code 170303 effective January 1, 2026; but the Q4 2025 is expected to be reported to DuBois City.

OCSS Highlights Importance of Employers to Child Support

The Office of Child Support Services (OCSS) updated its infographic that highlights the importance of employers to the child support program in collections, electronic processing, and new hire reporting [OCSS, FY24 Child Support and Employers Infographic, 8-1-25].

OCSS reported that the child support program collected \$29.5 billion in fiscal year 2024, of which 74% was collected by employers through income withholding from employees’ paychecks.

Additionally, employers reported 66.3 million new and rehired employees to the National Directory of New Hires. Federal law requires employers to report basic information on new and rehired employees within 20 days of their hire to the state where the new employees work. Multistate employers may select one state where their employees work and report all new hires to the selected state.

The infographic reminds employers that using the electronic income withholding order (e-IWO) and the electronic National Medical Support Notice (e-NMSN) are cost-effective ways to exchange information with child support agencies.

Child Support Portal

The infographic includes information on the Child Support Portal, which employers can use as a secure way to provide information and communicate with child support agencies.

Through the portal, employers can:

- Report lump-sum payments and terminated employees.
- Update company information.
- Enroll in a multistate employer registry.
- Use the Communication Center to send and receive secure messages and documents relating to child support.
- Download and acknowledge e-IWOs through e-IWO Online

Check list for Federal W-2s to Process

As a reminder, all W-2 e-files submitted through the SSA/BSO must pass the pre-validation test before they will be receipted for processing. It is recommended to not wait until the last few days of January to submit your file to avoid not having enough time to make corrections based upon a failed pre-validation test.

If you did not receive a WFID, it was not received by the SSA/BSO to be processed. Check with support to find out what the errors are. Typically, you will be given a 45-day grace period to correct and resubmit the file to carry the submission date of the original attempt.

You will receive an email confirming the WFID was processed and marked “Complete”. Make sure you get this email to confirm a successful submission. You should also receive correspondence from the SSA to the email address you provided as a contact person in the employer’s record in the W-2 e-file.

Items that you can check now to try to avoid not passing the pre-validation:

- There can be NO negative numbers.
 - This usually is an indication of a correction to a prior year completed in the current year.
 - If you are correcting a prior year, that should be corrected in the prior year.
- Social Security wages and tips total cannot be greater than Medicare wages and tips.
- If you have SS or Medicare withheld taxes, the corresponding wages must be greater than zero.

If you used a prior year Social Security wage base limit, the file will be received, but most likely it will be stuck in a “Pending” status. This means that the file was not processed.

One more item that will possibly cause your file to not process and not be marked “Complete” is if you have too many mismatched names and SSNs.

Employers Can Enroll in IRS eLevy Program to Save Time, Costs

The IRS’s eLevy program makes delivery of levies more efficient and convenient for private sector and government employers nationwide.

The IRS is seeking participants to enroll in this innovative program. By partnering, employers can reduce incoming paper Notice of Levies (Forms 668-A and 668-W), decrease third- party paper routing mishaps, lessen the need for paper document storage, and improve electronic document retention.

Enrolled eLevy participants have noted efficiencies and cost savings from the program. They also have reported to the IRS that the eLevy process simplifies sharing and tracking levy garnishment documents with their outside payroll service providers.

The benefits of eLevy are:

- Simple to enroll.
- No enrollment fees or costs to participate.
- Enrollment available for both payroll levies and accounts payable levies.
- Receipt of electronic levies to a designated fax number established by participants.
- Reduced incoming mail, overhead, and handling time.
- Reduced calls from the IRS for delivery confirmation.

How eLevy works Electronic levies will be digitally signed and include a coversheet with the name and fax number of the initiating IRS employee. Part 3 of Forms 668-A and 668-W responses may be faxed to the originating IRS employee’s eFax number when no levy proceeds are attached.

To enroll, contact the IRS at SBSE.eLevy@irs.gov.

One Big Beautiful Bill Act: As updates are provided...

The IRS guidance we have all been waiting for has been issued.

IRS Notice 2025-69:

This is the **guidance for employers** on the qualifying tips and overtime received in tax year 2025 only. These are transitional rules because the W-2 was not modified to correctly report the information for 2025. The reported amounts can be approximated based on a reasonable method as detailed in [IRS Notice 2025-69](#) (see examples).

Qualifying Tips:

- 1. Box 7, Social Security Tips, on the employee’s W-2.
- 2. Form 4070, Employee’s Report of Tips to Employer, use the total amount of tips reported by the employee.

- 3. Box 14, on the employee’s W-2, the employer can voluntarily report the amount of cash tips.
- 4. The employer can provide the information on qualifying tips on a separate statement to the employee.

For tips to be qualified, they need to not be received in the course of a “specified service trade or business”. For 2025, the IRS will treat the employee as having received the tips in the course of a trade or business that is not a specified service trade or business if the employee is in an occupation that customarily and regularly receive tips on or before December 31, 2024. (see page 15/16 of Notice 2025-69)

Specified Trade or Business – refer to IRC 199A. This would be positions in health, law, accounting, actuarial, consulting, brokerages, investments, securities to name a few. These positions are not on the IRS list of qualified tip positions.

Qualifying Overtime:

- 1. The employer can voluntarily report the amount of qualified overtime using Box 14, on the employee’s W-2.
- 2. The employer can provide the information on qualifying overtime on a separate statement to the employee.

Individuals receiving compensatory time under 29 USC § 207(o)(3)(B) in satisfaction of overtime amounts due under 29 USC § 207 may take the overtime amount into account for purposes of section 225 only in the year the compensatory time is paid. (see footnote 18 page 25 of Notice 2025-69)

Remember to be qualifying the overtime calculation **MUST** be based upon the Fair Labor Standards Act (FLSA) and only be the overtime premium.

IRS Notice 2025-69:

This is the **guidance for business owners** on the qualifying tips and overtime received in tax year 2025 only. This includes forms 1099-MISC, 1099-NEC, and 1099-K.

Qualified Tips:

Items to keep in mind when determining qualified tips to deduct on the individual tax return:

- The position the employee holds must be a qualified tip position. Greenshades provides this [list of the eligible positions](#) on their website.
 - For the transitional year of 2025, the payee is still responsible for determining whether the tipped position customarily and regularly received tips on or before December 31, 2024.
- The tips should be received in the course of a trade or business that is a NOT a Specified Service Trade or Business (SSTB).
 - This item will be part of the transitional relief for tax year 2025 since the IRS has determined that many small businesses do not know if they are a SSTB or not.
- The tips must have a separate accounting of the contract amount and any added tips starting for tax year 2026. This is per sections 6041(d)(3), 6041A(e)(3), and 6050W(f)(2), payors must include a separate accounting of the payment detailing the portion that is cash tips and the occupation describe in section 224(d)(1).
 - For the transitional year of 2025, if a separate accounting is not available, the non-employee can calculate the amount of tips using earning statements or a receipt or Point of Sale, or some other third party statement or record balanced against the amount reported on the 1099 statement.

Qualified Overtime:

Under section 6041(d)(4), payors must include on the 1099 form the portion of payments that are qualified overtime compensation.

NOTE: Qualified Overtime is based upon the FLSA and only includes the overtime premium (the .5 of the 1.5 of hours worked over 40 within a work week).

Recipients of the 1099-MISC, 1099-NEC, and 1099-K are considered contractors and therefore are not entitled to overtime per the Fair Labor Standards Act. If the worker was misclassified as a contractor and should have been classified as an employee, that worker would then be entitled to overtime compensation. This is how overtime compensation could be reported on a 1099 form. In making this determination, the FLSA has [Fact Sheet 13](#) that can be referenced.

Per IRS Notice 2025-69, for tax year 2025, an FLSA eligible employee may:

- (1) treat the separate accounting requirement as satisfied if the qualified overtime compensation is properly reported on the individual’s Form 1099-NEC or From 1099-MISC, without regard to the requirements of section 6051(a)(19) (to separately account for the amount of qualified overtime compensation), copies of which are furnished to the individual, and
- (2) base the determination of the amount of qualified overtime compensation (subject to the other limitations and requirements for qualified overtime compensation in section 225 of the Code) on other documentation such as earnings or pay statements, invoices, or similar statements that support the determination, using a reasonable method described below to determine the amount of the qualified overtime compensation.
- (3) Individuals who had multiple employers during 2025 may use different methods for each employer.

State PFMLI Benefit Payments

Effective January 1, 2026, employers with 10 or more employees will now have to pay their share of FICA taxes on certain state paid **Medical** Leave Benefits.

The medical benefit payment will be considered wages, and the 3rd party sick pay rules will apply, which requires the employer to pay their portion of the FICA (Social Security and Medicare) taxes.

Employers must include only the portion of the benefit payment that is attributable to the employer contribution in the employee’s federal gross income, with the exception to IRC Section 105. This is considered wages.

IRC Section 105 exception pertains to when the medical benefit is for the employee’s personal injuries or sickness. If this is the case, the payment will not be taxable.

As for **Family** Leave Benefits, the full payment, will be included in the employee’s federal gross income on their individual tax return. This is NOT considered wages and will be reported on Form 1099-G, Certain Government Payments.

The tax treatment on the contributions paid are:

Employer Contribution:

- Employer – they can deduct this amount as an excise tax under IRC Section 164
- Employee – this is not included in the federal gross income.

Employee Contribution:

- Employer – report this amount on the employee’s W-2 as wages
- Employee – this is included in the federal gross income as wages; but the amount can be included with the state income taxes if the employee itemizes on their individual tax return.

Employer Pick-up of the Employee Contribution:

- Employer – they can deduct this amount as an ordinary and necessary business tax under IRC Section 162. Also, it is reported as wages on the employee’s W-2
- Employee – this is included in the federal gross income as wages. Also, it can be included with the state income tax if the employee itemizes on their individual tax return.