

COMMUNITY SAFETY PAYROLL TAX

OVERVIEW



**Presentation for the
Jones & Roth CPAs
December 17, 2020**

WHO MUST FILE AND PAY?

The payroll tax is paid by employers, employees, and self-employed persons.

- ▶ **The employer payroll tax** is applied to total wages paid by an employer with a physical address in the Eugene city limits.
- ▶ **The employee payroll tax** is applied to total wages paid to an employee working at an employer located in the Eugene city limits.
- ▶ **The self-employment tax** is applied to the net earnings from self-employed persons with a physical address in the Eugene city limits.

Employers are responsible for paying the employer payroll tax as well as withholding and remitting the employee payroll tax on behalf of all employees with subject wages.

Self-employed persons are responsible for paying the self-employment tax. If they have employees, they are also responsible for filing and remitting the employee payroll tax on behalf of employees.

WHAT IS A SELF-EMPLOYED PERSON?

You're self-employed if you are a sole proprietor (including an independent contractor), a partner in a partnership, a member of a multi-member limited liability company (LLC) that is treated as a partnership for federal tax purposes or are otherwise in business for yourself. Sole proprietor also includes the member of a single member LLC that's disregarded for federal income tax purposes and a member of a qualified joint venture.

Note - A self-employed person who also has employees is not subject to the **employer payroll tax**, only the **self-employment tax**. However, as an employer you may be required to withhold and remit the **employee payroll tax** on behalf of your employees

WHAT IS MEANT BY “BUSINESS LOCATION”?

- ▶ “Business location” is any physical location in the Eugene city limits to which an employer or self-employed person conducts business operations, including any real property, building, facility, or office owned, leased, or occupied by the employer.
- ▶ “Business location” does *not* include temporary job sites or client locations located in the Eugene city limits.



**The key
factor is the
physical
location of
the
employer**

- ▶ **Telecommuters (or remote workers)** are subject to the employee tax only to the extent that they work for an employer located in the Eugene city limits, even though the work may be performed outside the City limits.
- ▶ **Client locations** do not qualify as a “business location” for the purposes of the payroll tax.
 - ▶ *Example* - Maggie works for a tax preparation service located in Junction City. She often comes to Eugene to meet with clients at their homes. Maggie's wages are exempt from the payroll tax because her employer is not located in City limits.
- ▶ **Temporary job sites** are not treated “business location” for the purposes of the employee payroll tax.
 - ▶ *Example* - CC Electric is located in Junction City. They are contracted for a job in Eugene to do all the electrical work on a new building in the City limits. The CC Electric is not subject to the payroll tax since they are located in Junction City.

WHAT IF THE BUSINESS HAS MULTIPLE LOCATIONS?

- ▶ If an employer with a physical address in the City has one or more business locations outside the City, no tax is owed by the employer or employee for those hours an employee works at an employer's business location that is outside the City.

Example - An employer that supplies online management services is headquartered in the Eugene city limits. The employer has two satellite offices, one in Portland and another in Roseburg. The employees who work at the Portland and Roseburg business locations are not subject to the payroll tax, even though the business is headquartered in Eugene.

KEY DATES

▶ The employee and employer payroll tax is reported and remitted on a quarterly basis:

- **1st quarter (January to March)** **April 30**
- **2nd quarter (April to June)** **July 31**
- **3rd quarter (July to September)** **October 31**
- **4th quarter (October to December)** **January 31**

▶ The self-employment tax is paid on an annual basis and is due the same day as your federal and Oregon individual income tax returns. The first due date for tax year 2020 is **April 15, 2022**.

CALCULATING THE EMPLOYEE TAX

1. **Start with gross wages for the pay period** paid for services performed by an employee for an employer located in the Eugene city limits, including the cash value of all remuneration paid in any medium other than cash. This includes, but not limited to salaries, fees, tips, bonuses, or commission on sales.
2. **Subtract overtime wages.** Overtime wages, both the base and premium portion, are not considered when determining the tax rate. Overtime wages should be calculated consistent with the Fair Labor Standards Act (FLSA) and applicable Oregon state law.
3. **Get the applicable tax rate using the tax rate charts.** Once you have subtracted overtime wages from gross wages, use the remaining amount to get the applicable tax rate based on the applicable pay period.
4. **Apply the tax rate to Subject Wages.** “Subject wages” are those wages subject to Oregon Revised Statute (ORS) Chapter 316 withholding, or wages after pre-tax deductions.

EXAMPLE -

John is paid \$14 per hour and is paid weekly. During the workweek, he worked 50 hours (including 10 overtime hours) and received \$770 in gross wages which included \$210 in overtime wages. John has pre-tax deductions of \$105.

1. Start with gross wages for the pay period - **\$770**
2. Subtract overtime wages - **\$770 - \$210 = \$560**
3. Get the applicable tax rate using the tax rate charts – **.0030**

<u>Weekly Payroll Period -</u>	<u>Wages</u>		<u>Tax rate</u>
Less than -	\$481		Exempt
At least -	\$481	But less than - \$601	0.0030
Equal to or more than -	\$601		0.0044

4. Apply the tax rate to Subject Wages. **(\$770 - \$105) * .0030 = \$2**

CALCULATING THE EMPLOYER TAX

- ▶ The employer payroll tax rate is **.0021**, unless the employer had two or less employees during the year, in which the tax rate is **.0015** on total subject wages up to \$100,000.
- ▶ You will use the tax rate of .0021 on subject wages for the first three quarters and reconcile on the 4th quarter return (or final return) if you qualify for the reduced tax rate
- ▶ The difference will be used to reduce the tax due for the 4th quarter; or if there is an overpayment, the overpayment will be applied as a credit (or prepayment) for the next quarter. You can also request a refund of the overpayment.

MUNIREVS

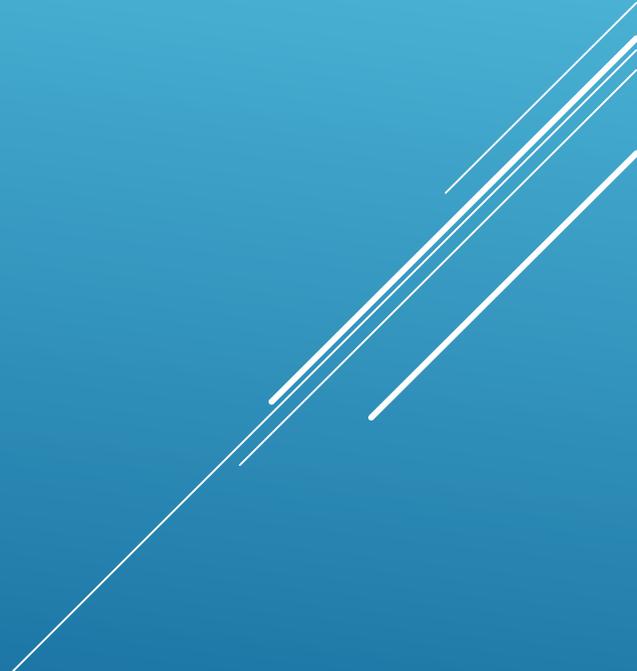
The City of Eugene and MUNIREvs have partnered to provide an online tax administration service for the Community Safety Payroll Tax. Rather than invest in setting-up a new tax collection system, the City is contracting with MUNIREvs to administer and collect the tax through an online portal. Their excellent tools and intuitive navigation make it easy for employers to register, file and pay the tax.

Once you register, it's easy to:

- ▶ **File tax returns and make payments electronically**
- ▶ **Manage all your accounts under one login**
- ▶ **Get automated notifications sent to your email address**
- ▶ **Track your entire account history from your MUNIREvs Business Center.**

HOW DO I REGISTER IN MUNIREVS?

To register:

1. Go to the MUNIREvs website (eugene.munirevs.com)
 2. Select “New User”
 3. Complete the user profile to set up your account
 4. Register your business(es). It’s that simple!
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KEY POINTS -

- ▶ The new tax will be effective based on *pay period* as opposed to *pay day* since the January 1 start date may fall in the middle of a pay period.
- ▶ On July 1, 2021, the minimum wage rate will increase to \$12.75. As of that date, the tax rates charts for employee payroll tax will be updated. The rate change will be applied as of the *pay day*, not when the *pay period* begins, starting on or after July 1, 2021, to allow for the adjusted wage rate thresholds.
- ▶ Employees with subject wages, but are exempt from the *employee payroll tax*, need to be included on the employee detail return. The employer will report the subject wages (column (d)) and -0- for tax (column (e)).

QUESTIONS?

- ▶ For more information on the payroll tax -
Eugene-or.gov/PayrollTax
- ▶ For payroll Tax questions -
541-682-5053 or email at CSpayrolltaxhelp@eugene-or.gov
- ▶ For questions on registering, filing, or paying online through
MUNIREvs -
888-751-1191 or email at support@munirevs.com