

## Tax Notes

# 2017 Brings Accelerated Federal Filing Deadlines and New Jersey Sales Tax Rate Decrease

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Businesses should be aware that these tax changes are now on the books for 2017:

- The Internal Revenue Service has accelerated the due date for filing with the IRS and Social Security Administration for all 2016 Forms W-2 and 1099-MISC.
- The New Jersey sales tax rate has been reduced effective January 1, 2017 and the estate tax is being phased out within the next year. In addition, the gas tax has been increased as has the earned income tax credit.

### Accelerated Filing of 2016 Forms W-2 and 1099-MISC with the IRS and SSA

In past years, businesses were required to issue Forms W-2 and 1099-MISC to the recipients of such forms by January 31<sup>st</sup> of the following year and were required to file copies of the W-2s and 1099-MISCs with the IRS and Social Security Administration by February 28<sup>th</sup> for paper forms or March 31<sup>st</sup> for E-filed forms.

**Please note:** The forms in the W-2 series subject to the new deadlines include 2016 Forms W-2, W-2AS, W-2CM, W-2GU, W-2VI, W-34 and W-3SS.

The due date for issuance to recipients of W-2s and 1099 MISCs remains January 31<sup>st</sup> for the prior year. However, as a result of the Protecting Americans from Tax Hikes (PATH) Act of 2015, the due date for filing W-2s and 1099-MISCs (which report an amount in box 7, *Nonemployee Compensation*) with the IRS and the Social Security Administration has been moved up to January 31<sup>st</sup>. **This change is effective for those returns which relate to calendar year 2016.** It should be noted that this change is effective regardless of whether you are filing paper copies or electronically.

**Exception:** If Form 1099-MISC does not require the reporting of an amount in box 7, *Nonemployee Compensation*, the Form will continue to be due by February 28<sup>th</sup> if on paper and by March 31<sup>st</sup> if filed electronically.

### Automatic Extension Eliminated

It should also be noted that the IRS has eliminated the automatic extension of time to file the forms in the W-2 series (except W-2G). Employers must now submit a completed Form 8809, *Application for Extension of Time to File Information Returns*, no later than January 31<sup>st</sup> and must include a detailed explanation of why the extension is needed. The IRS will only grant the one-time 30-day extension if such an extension is requested due to extraordinary circumstances or catastrophe.

## Why Move-Up the Due Date?

While these changes may place an additional burden on employers as well as businesses that use independent contractors, the changes were implemented to reduce the incidence of identity theft cases that have been on the rise in recent years. Filing these information returns with the government by January 31<sup>st</sup> will hopefully allow the IRS to verify the legitimacy of tax returns filed and refunds claimed and properly issue refunds on a more timely basis to the taxpayers who are eligible to receive them. This should reduce the number of fraudulent tax refunds issued to unscrupulous individuals and tax preparers who typically file such refund claims early on in tax season.

## Penalties

Not only has the IRS accelerated the deadline to file these information returns for the 2016 tax year, but the IRS has also substantially increased the penalties for late or non-filing of W-2s, 1098s and 1099s that were in effect for the calendar year 2014 for forms which were due in early 2015. Separate penalty amounts are mandated for small businesses (those with gross receipts of \$5 million or less) and large businesses (those with gross receipts of more than \$5 million and governmental entities).

The penalties are also subject to inflationary adjustments. For example, returns filed during 2017 which are filed not more than 30 days late are now subject to a \$50 per return penalty up to a maximum penalty of \$532,000 (for businesses with more than \$5 million in gross receipts). For returns that were due in calendar years 2011 through 2015, the amounts were \$30 per return (with a \$250,000 maximum). The penalties and maximums increase as more time passes from the original due date.

## Call to Action

If you utilize PKF O'Connor Davies to prepare your 2016 Forms W-2s and/or 1099-MISCs, please provide the information to us as soon as possible in January so that your business will not run afoul of these new due dates. If you utilize an outside payroll company, it would be advisable to contact them to ensure that they will meet these new deadlines. Finally, should you prepare your own forms for distribution and filing, do not forget to implement this new accelerated filing schedule. As noted, the penalties for non-compliance can be steep.

## New Jersey Sales Tax Rate Decreases Effective January 1, 2017

As we noted in our State Tax Observations e-newsletter published last October 2016, New Jersey Governor Christie signed Assembly Bill 12, which decreased the state's sales tax rate from 7% to 6.875% effective January 1, 2017. The sales tax rate will decrease further to 6.625% on January 1, 2018. New Jersey's sales tax rate has stood at 7% since it was last increased in July of 2006. While the sales tax decrease is good news for New Jersey consumers, the loss in revenue to the state is estimated to be \$1.5 billion per year.

## Other New Jersey Tax News

The reduction in the sales tax was part of legislation which resulted in changes to other taxes in the Garden State, including a 23 cent per gallon increase in the state's gasoline tax with the new revenue being directed toward transportation and highway projects, elimination of the New Jersey estate tax for decedents dying on January 1, 2018 (for 2017, the estate tax is phased out for all decedents whose estate is less than \$2 million) and increase in the New Jersey earned income tax credit to 35 percent (up from 30 percent) of the federal benefit amount beginning in tax year 2016.

## Don't Be Surprised

The increase in the state gas tax is earmarked for transportation and highway projects so it would not come as a complete surprise if the sales tax rate was to be increased again in the future should New Jersey tax collections be lower than budgeted by the Trenton officials.

## **Call to Action for Garden State Businesses**

Businesses selling goods or services subject to New Jersey sales tax should have already changed the rate to reflect the new lower rate in their systems which integrate with their cash register or other point of sale systems.

Consumers can enjoy having a bit more money in their bank accounts by paying less sales tax on goods and services as a result of this law change, so they may not hesitate to make those purchases at this time should a sales tax rate increase materialize in the future.

## **Contact Us**

Should you need further information on either the new deadlines for filing information returns or on the changes to New Jersey tax laws, please contact your PKF O'Connor Davies' tax advisor.

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