

EMPLOYER PAYROLL ITEMS #1 2/27/08

Tool Plan Allowance Rules

What the law says

To be excluded from income, payments must meet the requirements of an accountable plan. They are:

1. *Business connection.* Tool plans must pay only for expenses that are actually or reasonably expected to be incurred. Also, expenses must be directly related to the services the employee provides for the employer making the reimbursement.
2. *Substantiation.* Employees must prove how much they spent on the tools, and that there is a business connection to the purchase.
3. *Return on excess.* All amounts that aren't properly substantiated must be returned to the employer.

If a company doesn't meet IRS' requirements, the "reimbursed" amounts will have to be

- added to the workers' gross income
- reported as wages subject to withholding & employment taxes and
- reported on employee's Forms W-2.

Must you pay employees classified as exempt for weather-related absences?

When the weather is bad and roads are dangerous, nobody expects employees to travel over the river and through the woods to work.

But if your company closed for less than a full week because of inclement weather, must you pay exempts? The Dept of Labor (DOL) says yes, you must pay their full weekly salary.

In fact, you can't make deductions from exempts' pay for partial weeks off because of weather-related closures, says a DOL Opinion Letter.

If the exempt employee has enough banked leave to cover the closure, you may deduct the leave. However, if there's no leave time available, you must pay the full week's salary.

When the employee's a no-show...

Say your workplace is open but an exempt employee remains at home. Here's what to do:

- Leave time available- Pay the full weekly salary, but you can deduct missed time from available leave.
- No leave- Deduct from the salary for a full day's absence.

The Mobile Workforce State Income Tax Fairness and Simplification Act

Right now, 41 states (plus thousands of localities) impose personal income taxes on non-residents, and have their own rules and enforcement policies. There is a bill to standardize these laws, currently being considered in the U.S. House of Representatives. That's a lot of time and resources employers must spend to ensure they are complying with these laws.

Under this proposed legislation, backed strongly by the American Payroll Association (APA), wages paid to an employee who performs duties in more than one state or locality would be subject to the income tax laws of the state or locality:

- of the employee's residence, and
- in which the employee is physically present and performing duties for *more than 60 days in the calendar year*.

Professional athletes, professional entertainers and nationally prominent public figures would not be covered.