



GLO Report – March 2023

Internal Revenue Service

- *For those who make estimated federal tax payments, the first quarter deadline is Monday, April 18, 2023*

WASHINGTON — The Internal Revenue Service today reminds those who make estimated tax payments such as self-employed individuals, retirees, investors, businesses, corporations and others that the payment for the first quarter of 2023 is due Tuesday, April 18.

The 2023 [Form 1040-ES, Estimated Tax for Individuals](#), can help taxpayers estimate their first quarterly tax payment.

Income taxes are a pay-as-you-go process. This means, by law, taxes must be paid as income is earned or received during the year. Most people pay their taxes through withholding from paychecks, pension payments, Social Security benefits or certain other government payments including unemployment compensation.

Most often, those who are self-employed or in the gig economy need to make estimated tax payments. Similarly, investors, retirees and others often need to make these payments because a substantial portion of their income is not subject to withholding. Other income generally not subject to withholding includes interest, dividends, capital gains, alimony and rental income. Paying quarterly estimated taxes will usually lessen and may even eliminate any [penalties](#).

Exceptions to the penalty and special rules apply to some groups of taxpayers, such as farmers and fishers, casualty and disaster victims, those who recently became disabled, recent retirees and those who receive income unevenly during the year. See [Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts](#), and its instructions for more information.

How to pay estimated taxes

[Form 1040-ES, Estimated Tax for Individuals](#), includes instructions to help taxpayers figure their estimated taxes. They can also visit [IRS.gov/payments](https://www.irs.gov/payments) to pay electronically. The best way to make a payment is through [IRS Online Account](#). There taxpayers can see their payment history, any pending payments and other useful tax information. Taxpayers can make an estimated tax payment by using [IRS Direct Pay](#); [Debit Card, Credit Card or Digital Wallet](#); or the Treasury Department's Electronic Federal Tax Payment System ([EFTPS](#)). For information on other payment options, visit [IRS.gov/payments](https://www.irs.gov/payments). If paying by check, taxpayers should be sure to make the check payable to the "United States Treasury."

[Publication 505, Tax Withholding and Estimated Tax](#), has additional details, including worksheets and examples, that can be especially helpful to those who have dividend or capital gain income, owe alternative minimum tax or self-employment tax, or have other special situations.

IRS.gov assistance 24/7

Tax help is available 24/7 on IRS.gov. The IRS website offers a variety of online tools to help taxpayers answer common tax questions. For example, taxpayers can search the [Interactive Tax Assistant](#), [Tax Topics](#) and [Frequently Asked Questions](#) to get answers to common questions.

- ***Here are some facts about how the IRS communicates with taxpayers:***
 - When the IRS needs to contact a taxpayer, the first contact is normally by letter delivered by the U.S. Postal Service. Fraudsters often send fake documents through the mail, and in some cases will claim they already notified a taxpayer by U.S. mail. Depending on the situation, IRS employees may first call or visit with a taxpayer. In some instances, the IRS sends a letter or written notice to a taxpayer in advance, but not always.
 - IRS revenue agents or tax compliance officers may call a taxpayer or tax professional after mailing a notice to confirm an appointment or to discuss items for a scheduled audit.
 - [Private debt collectors](#) can call taxpayers for the collection of certain outstanding inactive tax liabilities, but only after mailing the taxpayer and their representative written notice.
 - In certain cases, IRS revenue officers and agents may make unannounced visits to a taxpayer's home or place of business to discuss taxes owed, delinquent tax returns or a business falling behind on payroll tax deposits. IRS revenue officers will request payment of taxes owed by the taxpayer. However, they will only request payments be made to the U.S. Treasury.
 - When visited by someone from the IRS, who is seeking personal information or collecting a tax debt, taxpayers should always ask for credentials. IRS representatives can always provide two forms of official credentials: a pocket commission and a [Personal Identity Verification Credential](#)
 - In some cases, departments within the IRS may contact a taxpayer requesting copies of documents via email and/or fax. Taxpayers should request a way to verify the IRS employee's identity like requesting their email address, or employee badge number.
- **The IRS will never:**
 - Send text messages or contact people through social media to get personal information or collect a tax debt.
 - Demand immediate payment using a specific payment method such as a prepaid debit card, gift card or wire transfer.
 - Threaten to immediately bring in local police or other law enforcement groups to have the taxpayer arrested for not paying.

- Demand that taxes be paid without giving taxpayers the opportunity to question or appeal the amount owed.
- Call unexpectedly about a tax refund.

More information

[Tax Scams and Consumer Alerts](#)

- ***Online Account and tax transcripts can help taxpayers file a complete and accurate tax return***

Filing an error-free tax return is key to taxpayers getting any refund they are due as soon as possible. One IRS resource that can help is [Online Account](#). This is the fastest and easiest way to see account information such as estimated tax payments, prior year adjusted gross income and economic impact payment amounts.

Taxpayers can also request a tax transcript. There are [five types of transcripts](#). Taxpayers should review each transcript type to determine which one best meets their needs. IRS transcripts are also a good way to check for fraudulent activity. However, ordering a transcript will not help them find out when they will get their refund. [Where's My Refund?](#) provides the most up-to-date details about whether a tax return has been received and if the IRS has approved or sent the refund.

To protect taxpayers' identities, the transcripts partially hide personally identifiable information such as names, addresses and Social Security numbers. All financial entries are fully visible.

There are three ways taxpayers can get transcripts:

Online. People can view their tax records in their Online Account. From there, they can visit Get Transcript Online to view, print, or download all transcript types.

By mail. Taxpayers can use [Get Transcript by Mail](#) to get a tax return or tax account transcript delivered within 5-10 calendar days. They can also submit [Form 4506-T](#) to request any transcript type. Most Form 4506-T transcript requests are processed within 10 business days and then mailed. Form 4506-T is available on the [Forms, Instructions and Publications](#) page on IRS.gov.

By phone. Taxpayers can call the IRS's automated phone transcript service at 800-908-9946 to get a tax return or tax account transcript delivered by mail within 5-10 calendar days.

All transcripts are provided free of charge.

Federal Tax Reform – From APA Compliance

Federal tax reform continues to be a hot topic as many changes made by the Tax Cuts and Jobs Act (TCJA; Pub. L. 115-97) continue to impact payroll professionals. Although most of the changes in the TCJA took effect January 1, 2018, they will remain in effect through 2025.

Tax Rates and Brackets

The TCJA retains seven tax brackets but adjusts tax rates and taxable income levels. The tax rates are also used to determine supplemental and backup withholding rates, so those rates also change. Prior to the TCJA, the tax rates in 2017 were 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. Beginning in 2018, the tax rates changed to 10%, 12%, 22%, 24%, 32%, 35%, and 37%. Here are the 2023 rates.

2023 Rates and Taxable Income

2023 Tax Rate	Single	Married, Filing Jointly	Head of Household
10%	\$0-\$11,000	\$0 - \$22,000	\$0 - \$15,700
12%	\$11,001 - \$44,725	\$22,001 - \$89,450	\$15,701 - \$59,850
22%	\$44,726 - \$95,375	\$89,451 - \$190,750	\$59,851 - \$95,350
24%	\$95,376 - \$182,100	\$190,751 - \$364,200	\$95,351 - \$182,100
32%	\$182,101 - \$231,250	\$364,201 - \$462,500	\$182,101 - \$231,250
35%	\$231,251 - \$578,125	\$462,501 - \$693,750	\$231,251 - \$578,100
37%	\$578,126+	\$693,751+	\$578,101+

Rates for Withholding on Supplemental Wages

There is a two-tiered system for withholding income tax from supplemental wages at a flat rate:

- Optional flat rate: 22%. The optional flat tax rate on supplemental wages of up to \$1 million in a taxable year is tied to a section of the Internal Revenue Code that is suspended for tax years 2018 through 2025 by the TCJA (§1(i)(2)). The rate is 22% (no other percentage allowed).
- Mandatory flat rate: 37%. The TCJA lowers that rate to 37% for tax years 2018 through 2025.

Backup Withholding Rate

The TCJA lowers that rate to 24% for tax years 2018 through 2025.

Personal Exemption Elimination and Income Tax Withholding

The TCJA eliminates the personal exemption claimed by taxpayers for themselves and their spouse and dependents for 2018 through 2025. For 2023, the standard deduction is \$27,700 for married individuals filing jointly, \$20,800 for head-of-household filers, and \$13,850 for all others.

Federal Tax Levies

The IRS issued the [2023 Publication 1494](#), *Tables for Figuring Amount Exempt From Levy on Wages, Salary, and Other Income*, on January 3, 2023. The TCJA altered the way the amount of wages, salary, or other income exempt from a federal tax levy is calculated. For taxable years beginning in 2023, the dollar amount used to calculate the amount determined under IRC §6334(d)(4)(B) is \$4,700.

Other Areas Important to Payroll

The TCJA also affects other areas important to payroll professionals, including: the suspension of the fringe benefit for moving expenses (except for certain military-related moves); a new employer tax credit for paid family and medical leave; and how states are reacting to the TCJA. States are revising their employee withholding allowance certificates and changing which version of the Internal Revenue Code they follow.

Department of Labor:

The Supreme Court ruled in favor of highly paid oil rig workers in regard to overtime pay. Although the workers received over \$200,000, their status was found to be non-exempt under FLSA as they were pay based on days worked and were not paid a set salary.

EEOC:

The Equal Employment Opportunity Commission (EEOC) will tentatively open the 2022 Information Report ([EEO-1](#)) Component 1 – data collection in mid-July that was originally scheduled for April of 2023.

Office of Child Support Enforcement (OSCE)

The OCSE has published a webpage for [Answers to Employer Questions](#) to provide answers for common employer questions.

Compliance Deadlines:

- 3/31/2023:
 - File annual Forms 1099 series returns issued for 2022 with the IRS. This due date only applies if you file electronically.
 - Note: Forms 1099-NEC reporting nonemployee compensation must have been filed by January 31. File Forms W-2G for 2022. This due date only applies if you file electronically. File Forms 8027 for 2022. This due date applies only if you electronically file.
 - Applicable Large Employers file Forms 1094-C and 1095-C electronically with the IRS.
 - All other providers of minimum essential coverage file electronic Forms 1094-B and 1095-B with the IRS.
 - File Copy A Forms 3921 for 2022. This due date applies only if you file electronically. File Copy A Forms 3922 for 2022. This due date applies only if you file electronically.

USCIS / Department of Homeland Security:

Has redesigned Permanent Resident Cards (Green Cards). For security reasons, the cards are changed every three years. Employers can still accept the previous versions as the department is issuing the old cards until their supply is depleted.

State Updates:

- Arizona: Earnings subject to [creditor garnishments](#) have been lowered. It lowered the portion of weekly disposable earnings subject to creditor garnishment to the lesser of 10% of disposable earnings or 60 times the highest applicable federal, state, or local minimum wage, effective 12-5-22. The Arizona Creditors Bar Association sued the state over the law, and it was temporarily blocked from taking effect. On 12-22-22, the court held that Proposition 209 should be permitted to take effect “without guidance or restriction from the court” (Arizona Creditors Bar Association Inc. v. Arizona, No. CV 2022-15921, 2022 Ariz. Super. LEXIS 514 (Sup. Ct., 12-22-22)). The Bar Association plans to appeal. Previously, the amount of disposable earnings subject to garnishment was the lesser of 25% of disposable earnings or 20 times the federal minimum wage.
- California: Maximum withholding amount for creditor garnishments modified. Effective 9-1-23, the maximum amount of disposable earnings of a judgment debtor for any workweek that is subject to levy must not exceed the lesser of 20% of the individual’s disposable earnings for that week or 40% of the amount by which the disposable earnings for that week exceed 48 times the state minimum wage. If the employee works in a location with a local minimum wage, the local minimum wage in effect at the time the earnings are payable must be used. Currently, the

maximum amount subject to levy must not exceed the lesser of 25% of the employee's disposable earnings for the week or 50% of the amount by which the employee's disposable earnings for that week exceed 40 times the state minimum wage or local minimum wage.

- Illinois: Withholding tax tables revised. Effective for wages paid on or after 1-1-23, the Department of Revenue (DOR) has issued revised withholding tables. The supplemental wage tax rate remains 4.95% [DOR, Booklet IL-700-T, rev. 12-22]. The Department of Revenue has also updated rules related to registration, payment, exemption and filing of withholding tax. Click [here](#) for more information.
- Massachusetts: Surtax on income over \$1 million, withholding tables unchanged. Effective 1-1-23, there is a 4% surtax on taxable income over \$1 million. It was passed by a statewide ballot measure last year. The Department of Revenue (DOR) said it does not intend to update withholding tables to reflect the surtax. The DOR instructed employers to use "best efforts" to account for the surtax when determining withholding. The DOR will not take the surtax into account in determining whether an employer withheld sufficient tax to avoid penalties for withholding tax returns and payments due on or before 1-31-24 [DOR, [Hot Topics for Tax Professionals](#), 1-10-23].
- Michigan: Withholding tables updated. Effective for wages paid on or after 1-1-23, the Department of Treasury (DOT) has issued updated [withholding tables](#) and an updated [withholding guide](#). The supplemental wage tax rate remains 4.25% [DOT, Form 446 and Form 446-T, rev. 1-23]
- Minnesota: Withholding tables, formula revised. Effective for wages paid on or after 1-1-23, the Department of Revenue (DOR) has issued revised wage bracket withholding tables and a revised computer formula. The supplemental wage tax rate remains 6.25% [DOR, 2023 [Minnesota Income Tax Withholding Instruction Booklet and Tax Tables](#)].
- Mississippi: Withholding tables updated. Effective for wages paid on or after 1-1-23, the Department of Revenue (DOR) has issued updated withholding tables [DOR, Pub. 89-700-22-1, rev. 10-22]
- New York: Mandatory overtime for nurses prohibited. Effective 2-28-23, the Department of Labor (DOL) can assess civil penalties against employers that require nurses to work more than their regularly scheduled hours (when not required by a disaster or state of emergency). The DOL may assess a civil penalty of up to \$1,000 for a first violation, \$2,000 for a second violation, and \$3,000 for a third or subsequent violation. The nurse may receive an additional 15% of the overtime payment from the employer for each violation as damages [A.B. 286, L. 2022].
- Ohio: [School district](#) income tax rate updated. Effective for wages paid on or after 1-1-23, the Department of Taxation (DOT) issued school district income tax rate changes. Every employer that maintains an office or transacts business in Ohio and pays an employee who is a resident of a school district with an income tax must withhold income tax for that school district from the employee's compensation [DOT, Updated School Districts Effective January 1, 2023, rev. 12-22].
- Oregon:
 - ACH payments for child support updated. Effective 10-25-22, the Child Support Program (CSP) banking information changed for ACH payments. Employers that send payments to the CSP via a bank-to-bank ACH transfer need to update the state's bank account information. All ACH transactions must be sent to the new bank account. Payments sent to the old account will be returned beginning in February [CSP, Automated Clearing House (ACH) Credit Payments]
 - [Withholding tax tables](#), formula revised. Effective for wages paid on or after 1-1-23, the Department of Revenue (DOR) has issued updated withholding tax tables and updated

withholding tax formulas. The supplemental wage tax rate remains 8% [DOR, Publication 150-206-430, rev. 12-22-22 Publication 150-206-436, rev. 12-22-22].

- Pennsylvania: Employer withholding guide updated. The Department of Revenue (DOR) updated its Employer [Withholding Information Guide](#) for 2023. The guide includes information on employer withholding requirements, taxable compensation not subject to withholding, employee fringe benefits, the calculation of withholding, electronic filing requirements, Forms W-2 and 1099 filing requirements, and overpayments and refunds [DOR, REV-415, rev. 1-23].
- Rhode Island: Withholding tables revised. Effective for wages paid on or after 1-1-23, the Division of Taxation (DOT) has issued updated wage bracket and percentage method withholding tables. The supplemental wage tax rate remains 5.99%. The updated tables are available on the DOT website [DOT, 2023 Rhode Island Employer's Income Tax Withholding Tables].
- Vermont:
 - Voluntary PFML program announced. The governor of Vermont recently announced a voluntary paid family and medical leave program (PFML). It is scheduled to be available to private employers with two or more employees on 7-1-24 and to small employers with one employee (and individuals not previously covered) on 7-1-25. Effective 7-1-23, the program will cover state employees. The program will be administered by The Hartford (an insurance company). It is anticipated that available options for private employers will include at least six combined weeks of PFML and benefits payable for at least 60% of employees' average weekly wages up to the social security wage base [Office of the Governor, Press Release, 12-6-22]
 - Withholding tables revised. Effective for wages paid on or after 1-1-23, the Department of Taxes (DOT) has issued updated wage bracket and percentage method withholding tables. Withholding for supplemental payments can be estimated at 30% of federal withholding (unchanged from 2022). This means that a flat rate of 6.6% is used if the federal supplemental withholding rate of 22% is applied and 11.1% if the federal supplemental withholding rate of 37% is applied (when the employee's total supplemental wage payments in the calendar year exceed \$1 million) [DOT, 2023 [Income Tax Withholding Instructions, Tables, and Charts](#)].

