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Chapter 2

Regular Rate of Pay

The Labor Department has proposed to clarify the meaning of the “regular” pay rate (which is used to calculate the 1.5 times overtime rate). Items to be excluded include: tuition help, workplace gyms, vacation payouts, childcare, sick leave, legal services, and retail discounts. The update is intended to reduce lawsuits and encourage employers to offer these benefits.

Chapter 3

FICA-OASDI Taxable Wage Base

In this edition of the textbook, we have used the 2019 wage base of \$132,900, and current projections have projected the 2020 wage base to be \$136,800. Actual annual increases to the FICA-OASDI taxable wage base are announced in October of the preceding year based on current economic conditions.

Chapter 4

Truncated Social Security Numbers

In hopes of combating identity theft, employers have to list only the last four digits of the social security number on the W-2s sent to employees. The full number will still be required on the copy sent to the Social Security Administration. The rule applies to W-2s issued after 2020.

Draft of Form W-4 and Publication 15-T released.

The second draft versions for the 2020 Form W-4 (Employee’s Withholding Certificate) and new corresponding Publication 15-T (Federal Income Tax Withholding Methods) will be available on the IRS website sometime later this summer. The 2020 tax year will be the year where the significant changes to Form W-4 will take place due to the enactment of the Tax Cuts and Jobs Act in late December 2017.

Form 1099-NEC

For nonemployee payments over \$600 made in 2020, a new Form 1099-NEC will be used to report such payments to the IRS (prior to this year, such payments were reported on Form 1099-MISC, line 7). A prior version of this form was used in the 1980s.

New Withholding Estimator

The Internal Revenue Service has a new Tax Withholding Estimator, a tool designed to make it easier to have the right amount of tax withheld during the year. The Tax Withholding Estimator replaces the Withholding Calculator, which offered workers a convenient online method for checking their withholding.

Chapter 7

Philadelphia Wage Tax

Effective July 1, 2019, until June 30, 2020, the Philadelphia Wage Tax is 3.8712% (resident) and 3.4481% (nonresident).