

Notice: Items from *The General Ledger* and *Bookkeeping Tips* are showing up on websites with no attribution to AIPB. All material from both is copyrighted by AIPB and may not be reproduced in any form without AIPB's written permission. To obtain permission, e-mail the excerpt you want to use to info@aipb.org. We will grant you permission to use it with a minor attribution to AIPB.

Dear AIPB Member:

2024 auto depreciation limits. See page 9.

DOL issues final rule on employee v. IC. The regs under the new rule are effective Mar. 11, 2024, but are unlikely to cause widespread change, according to the DOL. [89 CFR 1638]

Key change: None of the 6 factors that determine employee v. IC status are new. What is new is that worker classification depends on *the totality* of the factors—i.e., not on any one factor. Because the 6 factors are subjective and depend on the facts of individual cases, some factors may become more important over time.

The 6 factors below are general descriptions, not definitions of the law:

1. Opportunity for profit or loss. The lack of opportunity for a profit or loss indicates employee status. Determining or meaningfully negotiating fees suggests the opportunity for profit or loss, indicating IC status. Whether this opportunity is present depends on whether a worker:

- can accept or decline job assignments;
- chooses the order and/or time in which job assignments are performed;
- engages in marketing, advertising, or other efforts to expand his or her business or secure more work; and
- makes hiring decisions, purchases materials and equipment, and/or rents space.

2. Worker investments. A worker who invests in equipment and marketing like an employer indicates IC status.

3. Permanence of the work relationship. A permanent or exclusive working relationship with one employer indicates employer status. A relationship that is of defined duration, non-exclusive, project-based, or sporadic because the worker markets services to other entities indicates IC status. This factor is tricky because working in regular, fixed periods may indicate IC status, but seasonal or temporary work by itself may not.

4. Nature and degree of control. Employer control over the worker's permanence or remuneration that indicates status—e.g., setting work schedules, supervising safety, quality control, or contractual or customer service standards. An exception is when employer control is based on compliance with federal, state or local regulations.

5. How integral the work is to the employer's business. This refers to the work—not the worker. In other words, for an ad agency, using artist Jo to design pamphlets may indicate employee status because her work is integral to the agency's business. But for a garden equipment company, using artist Jo to design pamphlets may indicate IC status because her work is not integral to the company's business.

6. Skill and initiative. Bringing specialized skills to work does not necessarily indicate IC status because both employees and ICs may have such skills. For example, a sales rep who brings phenomenal sales

**AIPB members
save up to 34% on UPS®**

Enroll at savewithups.com/aipb (this URL is case-sensitive) . . . or at www.aipb.org, Members Only page . . . or by calling 1.800.636.2377, 8 a.m.-6 p.m. EST, M-F.

skills to a sales job may or may not indicate IC status. But using a sales rep who created software to successfully mine sales leads may.

Bottom line: Analysts say that the language of the final regs makes classifying workers as ICs more difficult. See the [2024 final rules recap](#).

Caution on IRS FAQs. In the right-hand column is a crystal-clear explanation on the reliability of IRS FAQs. It is excerpted from a Feb. 2024 update of IRS FAQs on Form 1099-K, Payment Card and Third Party Network Transactions.

The IRS website excerpts below apply to *all* IRS FAQs on any subject area, from employment tax information forms and actual taxes to personal income taxes and any other area.

IRS policy on FAQs

(Below is the text from the IRS website. Boldface, color or italics have been added for emphasis.)

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible.

Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review.

Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case.

Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability.

Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax.

Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version can locate [it] if they later need to do so. [\[revised 2024 1099-K FAQs\]](#)

AIPB Board of Advisors

Dr. Barry C. Broden (Ret.) Department of Accounting and Taxation University of Hartford	Lorelei M. Krucki, CPP Department of Corporate Training St. Petersburg College	Debera J. Salam, CPP Payroll Information and Process Services
Wayne L. Edmunds, CPA, JD, MLT Department of Accounting Virginia Commonwealth University	Dr. Gordon S. May (Ret.) J.M. Tull School of Accounting University of Georgia	L. G. Schloss (Ret.) Department of Accounting Iona College, Retired

The General Ledger (ISSN #10462910) is published monthly for \$65 a year by the American Institute of Professional Bookkeepers, 6001 Montrose Road, Suite 500, Rockville, MD 20852, 1-800-622-0121.

Executive Director and Co-President: Stanley I. Hartman	Publisher and Co-President: Stephen Sahlein
General Manager and Educational Support Services Supervisor: Barbara Regotti	
Supervisor, Member Services: Daniela Jarath	

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold or offered with the understanding that the publisher and the editors are not engaged in rendering legal, accounting or other professional services. If legal advice or other assistance is required, the services of a competent professional should be sought. – From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations.

Copyright 2024 by American Institute of Professional Bookkeepers. All rights reserved. Reproduction in any form is forbidden without consent of the publisher.

www.aipb.org

DUPLICATE W-2 REQUESTS

The right way to handle duplicate W-2 requests. If you haven't been asked for "a new W-2," you will be. It usually happens when the first one was lost or an employee claims it was never received.

To protect yourself against problems with the IRS or DOL, follow these steps:

1. Require the employee to request a duplicate W-2 in writing.
2. To help employees making this request, create a "Duplicate W-2 Request Form" that has a separate line for each of the following:
 - date of the request;
 - date the duplicate is mailed or made available on a secure website; and
 - change-of-address (in case you get the original W-2 back and the employee is complaining about never getting it).

Producing a duplicate W-2: In the top right-hand corner of all W-2 copies, type "REISSUED STATEMENT." You can send a photocopy of the employer's copy.

Best returned W-2 option: If a W-2 that you mailed was returned, keep it *in the original envelope*. If the employee provides a corrected address, put the returned envelope in another envelope and mail it. If the employee does not contact you, keep the returned W-2 in the original envelope for at least 4 years as proof that it was mailed.

Another option: Store copies B and C electronically and shred the original. This complies with the regs. [Rev. Proc. 97-22, 1997-3, I.R.B. 9, *Guidance on Electronic Records*] If you scan copies B and C, also scan the envelope the W-2 was mailed in—the postmark and address prove that you mailed it and when. Your electronic storage must be secure.

If your electronically delivered W-2 bounces back, you have 30 days to notify the individual of the problem by mail, email or in person.

Advanced Bookkeeping

Accounting for Lost or Damaged Assets Under GAAP

by Wayne L. Edmunds, J.D., M.L.T., C.P.A., Associate Professor, Virginia Commonwealth University, Richmond, VA, and Member, AIPB Certification Advisory Board; and Denise M. Patterson, Ph.D., CPA, Professor Emerita of Accountancy, Craig School of Business, California State University, Fresno, CA.

Your company's delivery van was in an accident. Fortunately, the insurance allows your firm to acquire a replacement or have it repaired.

How do you record the van's loss or damages—and any insurance recovery?

The answers depend on whether your insurer reimburses the loss and your company uses the money to purchase a new vehicle (most common way)—or, the insurer buys and delivers a replacement van to your firm.

Recording the total loss of the vehicle

When a business vehicle is damaged, the insurance company determines if the loss is "total" or repairs can be made. If the vehicle is "totaled," a loss is recorded and its original cost and related accumulated depreciation removed from the books. When your company receives a check for the covered loss from the insurer, you debit cash and reduce any previously recorded loss.

Example 1—total loss: Your firm's Chevy delivery van is in an accident and is totaled. Your company receives a check from its insurer for \$28,000—the van's value at the time of the accident. According to your records, the original cost was \$42,000 and its related accumulated depreciation is \$22,000. You would record two JEs:

Cash	28,000	
Insurance recovery—Chevy van		28,000

To record insurance payment for totaled Chevy van.

Loss on vehicle	20,000	
Acc. Depreciation—Chevy van	22,000	
Chevy van (original cost)		42,000

To record loss on Chevy van

Say that your firm uses the insurance payment to acquire a Ford delivery van costing \$45,000. You would record the following JE:

Ford van (new)	45,000	
Cash		45,000

To replace loss of Chevy van

Important: If the insurer purchases and delivers an asset to replace the one that was lost, consult your company's CPA.

Recording damage to an asset (partial loss)

If the insurer pays the repair shop directly, you record no entry because your firm has suffered no loss. If your firm pays for the repair and is reimbursed, you debit Repair Expense for the full repair cost, then later credit Repair Expense for any insurance reimbursement:

Example 2: Vehicle is repaired. In 20X1, your firm's Chevy delivery van is in an accident and needs repairs for which your firm pays \$7,000. You would record the following JE:

Repair Expense—Chevy van	7,000	
Cash		7,000

If your firm receives full reimbursement of \$7,000, the JE is:

Cash	7,000	
Repair Expense—Chevy van		7,000

However, if your firm receives a reimbursement of only \$6,200 in 20X1, the JE is:

Cash	6,200	
Repair Expense—Chevy van		6,200

To record insurance reimbursement for Chevy repairs

But suppose the insurance check does not come until 20X2, and then the reimbursement is for only \$6,200. In 20X2 you would debit Cash and credit Insurance Recovery for the amount received. For example, if in 20X2, your firm receives that \$6,200, you would record the following JE:

Cash	6,200	
Insurance Recovery—Chevy van		6,200

To record ins. reimbursement for 20X1 Chevy repairs

Review of the Basics

BOOKING EMPLOYEE USE OF CREDIT CARDS IN AN ACCRUAL BASIS FIRM

Allowing employees to use a company credit card for personal items is inadvisable because the company is responsible for all expenses on the bill. Thus, if the employee fails to repay the company within a reasonable time period, the un-repaid amount may become taxable wages to the employee subject to all employment taxes—including the company share of FICA and other employer taxes.

However, because companies do provide employees with credit cards, sooner or later, some employee is going to use it for some personal item. When this happens, you will need to create and debit a receivable account—e.g., Due From Employee—Ted Jones, to recognize the employee's responsibility for reimbursing the company.

Employee charges a personal expense on the company credit card. Friday evening, employee Lincoln Green can't find his personal credit card, so he pays for dinner with the company card and tells you about it Monday morning. When you receive the month's AMEX bill for \$1,615, you see among the charges, Green's dinner charge of \$90.

You record the following entry:

Due From Employee - Lincoln Green	90	
Postage and Office Expense	1,050	
Supplies Expense	290	
Miscellaneous Expense	185	
Accounts Payable-AMEX		1,615

Employee repayment of a personal expense. When Green reimburses the company, you record the following entry:

Cash in Bank	90	
Due From Employee—Lincoln Green		90

Caution on owner-employees: When an owner-employee uses a company credit card for a personal expense, complex income-tax considerations come

into play. Generally, you should make no distinction in how you record personal use by an employee v. an owner-employee—record the amount in an owner-employee A/R, and close it out when you get the reimbursement. If an owner-employee opts not to reimburse the company, consult your company's tax advisor.

Employee uses a personal credit card for a business expense. When employees use a personal credit card to pay for a business expense, the company will reimburse the employee.

Employee Brianna Doe uses her personal VISA card to pay for \$75 in office supplies. You record both the expense and your company's liability for the reimbursement, as follows:

Office Supplies Expense	75	
Due to Employee—Brianna Doe		75

Reimbursement of employee. When Doe is reimbursed, you close out the liability:

Due to Employee—Brianna Doe	75	
Cash in Bank		75

Alternative: Bypass the liability account—i.e., the company's liability to Doe for the money. Simply credit Cash in Bank when you reimburse her and record the following JE:

Office Supplies Expense	75	
Cash in Bank		75

Another caution on owner-employees: When an owner-employee uses a personal credit card to pay a company expense, record the expense and liability as described above. If the owner-employee sees payment of an expense on a personal card as a long-term loan to the company or an additional investment, complex tax consequences come into play. Consult the company's tax advisor.

STATE NEWS

Although you may know about the items reported below if you are in the affected state, we report them for members whose company or clients have multistate locations.

California. Effective Apr. 1, 2024, the fast-food worker minimum wage is \$20. [Secretary of State, [Sept. 28, 2023, fast-food workers](#), 12-29-23; Chapter No. 2023-262]

Delaware. The 2024 UI tax rate letters sent to employers contained errors. Expect a new letter with correct rate data. [DOL, [News Release](#), 1-11-24]

Illinois. The [2024 withholding tables](#) are available. The supplemental wage tax remains at 4.95%. [DOR, Booklet IL-700-T, rev. December 2023]

Louisiana. The 2024 UI taxable wage base remains at \$7,700. [[LA UI Tax Rate](#)]

Massachusetts. The [2024 withholding tables](#) are available. [*Circular M*, Effective January 1, 2024]

Nevada. Employers can now create a login for the Nevada Unemployment Insurance Employer Self Service (NUI ESS). Established accounts transfer to the new system, but account users must set up a new login. [DETR, Employment Security Division Contributions Section, [Quarterly Newsletter](#), Dec. 2023]

New Mexico. The 2024 UI taxable wage base is \$31,700. [[Dept. of Workforce Solutions](#), UI Tax Info.]

North Carolina. The 2024 UI taxable wage base is \$31,400. [Department of Commerce, Division of Employment Security, [Form NCUI 685, Amend Employer's Quarterly Tax & Wage Report](#), rev. January 2024]

North Dakota. The 2024 UI taxable wage base is \$43,800. [Job Service 2024 [UI Schedules](#)]

Ohio. The [2024 school district tax rates](#) are available. [DOT, School Districts, 2024, rev. 12-23]

Oregon. The [2024 withholding tables](#) and [2024 withholding tax formulas](#) are available.

Rhode Island. The 2024 UI taxable wage base for most employers is \$29,200; for the highest UI tax rate group, \$30,700. [Department of Labor and Training, 2024 UI and TDI Quick Reference, eff. 1-1-24; [Press Release](#), 12-14-23]

Vermont. The [2024 withholding tables](#) are available. Supplemental pay withholding can be estimated at 30% of FITW.

Virgin Islands. The 2024 UI taxable wage base is \$31,000. [Department of Labor, [Press Release](#), 12-28-23]

FREELANCING

Wrong kinds of records result in lost deductions

The case: P was a proprietor who reported business activities on a Sched. C. The IRS audited his returns and denied many of his business expense deductions.

Held: For the IRS. The taxpayer did not keep adequate books and records and could not substantiate the deductions.

The inadequate records were of two types:

Bank records. The bank statements and related records were not sufficient to prove that the business's payments were for ordinary and necessary business expenses. The debit card purchases and ACH payments generally identified to whom payments were made, but not exactly what was purchased or the business purpose of the purchases.

Records of canceled checks showed only the check number and amount paid, but not the payee or goods or services purchased.

Profit and loss statements. The taxpayer admitted that his P&Ls were prepared years after the fact while he was under audit and were compiled using the inadequate bank statements. The court also found inconsistencies between the P&Ls on the one hand and the bank statements and tax returns on the other.

For example, one year's Sched. C had a deduction for rent/lease expenses, but the P&L and bank statements listed a payment for the same amount to the same person each month adding up to the total rent expense on Sched. C.

Nor was there documentation or testimony on the recipients of payments (other than an individual's name) and what product(s) or service(s) the taxpayer received for the payments. And, despite the deduction for the lease, the taxpayer did not provide a lease agreement, receipt or testimony supporting the lease's details. [*Pangelina v. Commissioner*, T.C. Memo 2024-5]

Key point: When a deduction is denied, the IRS is presumed to be correct—it is up to the taxpayer to show evidence that proves the IRS is incorrect.

Quiz

1. QuickBooks and other software reports are sufficient to substantiate tax return expense deductions provided that the software entries were prepared using original source materials. (True/False)
2. To keep your company's payroll process information up to date and available to key staffers, use reliable "_____ software."
3. Before 2023 income tax returns are due, it is advisable for your employees or clients—and you—to obtain from the IRS a(n) _____ [acronym] as an extra layer of identity theft protection.
4. The extra layer of identity theft protection referred to in Question 3 is known only to the _____ and the _____ and is used to file all tax returns under the filer's SSN.
5. An operating lease is a (sales/rental) agreement.
6. In an operating lease, the lessee debits payments to an (asset/expense) account.
7. A capital lease gives the (lessor/lessee) the risks and rewards of ownership.
8. In a direct financing lease, the cost is the same as the _____.

Answers: 1. False 2. online collaboration 3. IP-PIN 4. IRS, taxpayer 5. rental 6. expense 7. lessee 8. selling price

If we pay hourly plus commissions, are commissions included in overtime calculations?

Yes. If commissions are a "contractual or agreed-upon bonus," they must be added to earnings for the workweek. Divide wages + commissions by total hours worked and use this rate to compute overtime pay. Outside salespersons are exempt from minimum wage/overtime requirements, so check the status of commissioned employees. [FLSA §7(e)(3); W-H Reg. 29 CFR §778.208-§778-210]

Must we pay a terminating employee's sick hours?

This is determined by company policy, not federal law. But check your state's labor laws.

If a child works for the family, is FICA withheld?

If the child is under 18, wages paid by the parent are exempt from FICA. If over 18, wages are FICA-exempt only if the services are not in the course of the trade or business.

Must employees file a new W-4 for a change of address?

No, that is not a requirement. However, a revised W-4 is required if they change their name (make sure you see their new SS card), marital status or exemptions.

Is a monthly auto allowance taxable wages?

If you give the employee(s) a flat dollar amount every month, it is taxable wages subject to FITW, FICA and FUTA—regardless of the percentage of business use of the auto.

If an employee works 8 hrs. on Sunday, 8 hrs. on Tuesday, 8 hrs. on Wednesday, and 15½ hrs. on Thursday but calls in sick Friday, must we pay overtime for Thursday?

No. Federal law requires paying overtime only for hours worked over 40 in a workweek. But check state law.

Must we ever pay double time?

Not under federal law, but under some state laws—e.g., California requires double the employee's regular rate in certain situations.

Do I withhold SS if a new hire already met the SS withholding wage limit?

Yes. Withhold up to the limit again.

Should we have a separate bank account for payroll?

Yes. Internal and external auditors often advise employers to have a zero-balance bank account just for payroll and to transfer funds into it immediately before payday to cover current net pay.

Can an employee claim exempt from FICA on a W-4?

No, only from federal income tax withholding.

Can we lower the pay rate after an employee's 90-day probation period?

Yes, but not to less than the federal, state or local minimum wage.

Must a wage advance be repaid from a single paycheck?

No, you can make an agreement with the employee to take it back over a few pay periods, but you do not want this to go beyond the federal statute of limitations, which is 3 years from the Apr. 15th of the year following the year in which the wage advance was made.

Can we "bank" unpaid overtime hours as comp time?

No, although there are exceptions for public-sector employees.

Does federal law define full time v. part time?

It is defined by company policy, not federal law.

What is my company's or my liability if an employee claims married on the W-4 and I know she is single?

Bookkeepers should not give tax advice. Also, you do not (and should not) know an employee's personal tax situation. If the W-4 is completed properly, use it.

Must we pay a salaried person extra for working on a company-paid holiday?

Federal law neither requires holiday and/or premium pay for hours worked on a holiday nor that holiday hours be counted as hours worked for determining how many hours were worked above 40 hours in the workweek. But check your state laws.

Rates, Due Dates & IRS Limits

CPI-U

January 2024 CPI-U 3.1%

1. Covers all goods/services purchased by urban consumers.
2. Goods costing \$1,000 in January 2023 cost \$1,031 in January 2024.

February 2024 CPI-U Available March 12, 2024

For other CPI indices and more details: 202-691-7000

200% GDS nonfarm MACRS property rates

	5-year property*	7-year property**
Year 1	20.00%	14.29%
Year 2	32.00	24.49
Year 3	19.20	17.49
Year 4	11.52	12.49
Year 5	11.52	8.93
Year 6	5.76	8.92
Year 7		8.93
Year 8		4.46

* Autos, trucks, computers/peripherals, typewriters, calculators, etc.

** Furniture and fixtures, desks, files, etc.

2024 IRS depreciation limits

Covers new and used passenger autos (cars), electric cars and light* SUVs, pickups and vans placed in service in 2024. [Rev. Proc. 2024-13]

1 st year	\$12,400
2 nd year	\$19,800
3 rd year	\$11,900
4 th yr. and after	\$ 7,160

* 6,000 lbs. or less, built on truck chassis and not specially modified.

Federal per diems

Within the continental U.S.

Outside the continental U.S.

Payroll rates and bases

2024

Employee SS and Medicare	6.20%/1.45%*
Employer SS and Medicare	6.20%/1.45%
Social Security wage limit	\$168,600
Medicare wage limit*	Unlimited
FUTA-taxable wage base	\$7,000
FUTA rate	6.0%
FUTA maximum credit	5.4%
Min. FUTA deposit rate (most firms)	0.6%

* Withhold added Medicare tax of .9% on wages over \$200,000.

Standard mileage rates

2023

2024

Business*	65.5¢/mi.	67¢/mi.
Relocation**	22¢/mi.	21¢/mi.
Medical	22¢/mi.	21¢/mi.
Charitable rate	14¢/mi.	14¢/mi.

* For owned/leased passenger autos, vans, pickups or panel trucks and up to 4 taxis used for hire on which no §179 or depreciation was taken.

** Starting in 2018, all relocation payments are taxable to the employee and tax deductible for the employer.

Qualified retirement plan limits **2023** **2024**

Pretax contributions for 401(k) and SEP plans and 403(b) annuities	\$ 22,500	\$ 23,000
Workers aged 50 or over (catch-up)	\$ 7,500	\$ 7,500
Sec. 415(b)(1)(A) defined benefit plan annual benefit ceiling	\$265,000	\$275,000
Combined employer/employee pay-in limits for all defined contrib. plans	\$ 66,000	\$ 69,000
Annual compensation limit under Sec. 401(a)(17) and Sec. 404(1)	\$330,000	\$345,000
Sec. 408(k)(3)(C) IRA, SEP or SIMPLE plan limits	\$330,000	\$345,000
SIMPLE pretax contribution limit	\$ 15,500	\$ 16,000
Workers aged 50 or over (catch-up)	\$ 3,500	\$ 3,500

IRS forms and pubs 800-829-3676

Applicable Federal Rates (AFR) for March 2024

Under [IRC §1274](#), if your firm extends a loan due more than 6 months after a customer purchased or exchanged an item and there is no stated interest rate, the IRS imputes one. The IRS-imputed interest rates for March 2024 are as follows [Rev. Rul. 2024-04]:

	Annual	Semiannual	Quarterly	Monthly
Short-term: 3 years or less	4.71%	4.66%	4.63%	4.62%
Mid-term: Over 3 but not more than 9 years	4.13%	4.09%	4.07%	4.06%
Long-term: Over 9 years	4.40%	4.35%	4.33%	4.31%

Tax Calendar

Due date	Day of week	Deposit FICA and FITW for wages paid for the period from	
Mar. 15	Fri.	Deposit tax liabilities for February 2024.	
Mar. 15	Fri.	Mar. 9 - 12	Tues.
Mar. 20	Wed.	Mar. 13 - 15	Fri.
Mar. 22	Fri.	Mar. 16 - 19	Tues.
Mar. 27	Wed.	Mar. 20 - 22	Fri.
Mar. 29	Fri.	Mar. 23 - 26	Tues.
Apr. 3	Wed.	Mar. 27 - 29	Fri.
Apr. 5	Fri.	Mar. 30 - 31	Sun.
Apr. 5	Fri.	Apr. 1 - 2	Tues.
Apr. 10	Wed.	Form 4070 due from tipped employees.	
Apr. 10	Wed.	Apr. 3 - 5	Fri.
Apr. 12	Fri.	Apr. 6 - 9	Tues.

- The only acceptable reason for delaying deposit of payroll taxes due is a legal federal holiday.
- Deposits of \$100,000 or more must be made within one business day of the day that the tax liability is incurred.