



# DOLINKA, VANNOORD & COMPANY'S TAX TIDBITS



## YEAR-END PAYROLL TO-DOs AND WHAT'S NEW FOR 2025

### Year-End Payroll To-Dos:

- **W-2 Preparation.** Review your employee listing now and verify that the names, addresses and social security numbers are correct. For those of you that send us your QuickBooks backup, please be sure to verify that all addresses and social security numbers are correct before sending the final one for your December payroll.

Please include a corrected employee listing with your December payroll information so we have all of the information to begin the year-end payroll reconciliations needed to prepare your W-2s and final 2024 payroll forms.

**Reminder: Employers are required to file their copies of W-2s/W-3 to the employees, the Social Security administration and the State of Michigan by January 31, 2025.**

- **IRS Electronic filing requirements:** As in 2024 for the 2023 tax year's returns, in 2025 for companies who file 10 or more information returns such as W2, 1099 MISC, or 1099 NEC forms (10 aggregate forms, not separated by type), the forms are required to be e-filed. The IRS may issue penalties for companies who are over the form number threshold and do not comply.
- **Michigan Minimum Wage Increases:** Michigan's minimum wage will increase twice in 2025. The first increase will occur on January 1, 2025, and the second on February 21, 2025. Below are the prescribed minimums for each date:

#### January 1, 2025:

- Minimum hourly wage increases to \$10.56 per hour (from \$10.33)
- For minors under 18, it increases to \$8.98 per hour (from \$8.78)
- The rate for tipped employees increases to \$4.01 per hour (from \$3.93)
- The training wage for newly hired employees under the age of 20 for their first 90 days of employment remains at \$4.25 per hour

#### February 21, 2025:

- Minimum hourly wage increases to \$12.48 per hour
- Minors under the age of 18 may be paid 85% of the minimum hourly wage rate (\$10.61)
- The rate for tipped employees increases to \$5.99 per hour, with minimum reported average hourly tips of \$6.49. The total minimum hourly wage rate for tipped employees is 48% of the minimum hourly rate effective February 21, 2025.
- The training wage for newly hired employees under the age of 20 for their first 90 days of employment remains at \$4.25 per hour.

See <https://www.michigan.gov/leo/news/2024/10/01/michigan-minimum-wage-rate-2025-increase-schedule> for additional detail on minimum wage changes and schedules.

- **State unemployment (UIA) changes.** At the end of each year, the state's LARA department issues a Tax Rate Determination For Calendar Year 2025 letter. It is very important to get your computed rate set up in your payroll software correctly before your first payroll of 2025 is run. Additionally, please forward us a copy of your letter for our records, and forward a copy to your payroll processor.
- **Run payroll updates** in your software before you process your first payroll in 2025.
- **Other Reminders:**
  - You must have new hires fill out Form I-9 Employment Eligibility Verification and provide identification as requested on the form.
  - The State of Michigan requires that a "New Hire Form" be filed within 20 days of the hire date.

- Each new hire should fill out a W-4 Withholding Form for Federal, State and City (if applicable). For Federal, be sure to use the current year's form – do not use any form dated 2021 or prior. You can find these forms at <https://dolinkacpa.com/resourcecenter/>, under "Hired a New Employee?"
- If we prepare your Michigan 5081, Annual Sales, Use, and Withholding tax return, we will need to know whether you had any purchases in 2024 that are subject to use tax. According to the State of Michigan, "Use tax on tangible personal property is similar to sales tax, but applies to purchases when Michigan sales tax is not charged. Use tax of 6% must be paid on the total price (including shipping and handling charges) of all taxable items brought into Michigan or purchases by mail from out-of-state retailers. It applies to purchases made in foreign countries as well as other states."

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