

2009 Handbook of Employment Regulations Affecting Florida Farm Employers and Workers: Social Security and Medicare [Federal]¹

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Purpose

To provide social benefits to qualified workers who retire, become disabled, and/or require medical assistance.

- For most types of agricultural labor (including the employer's parents, spouse, and children eighteen years of age and older).

Exceptions

Some types of family employment are not covered by Social Security and Medicare. This exemption is not optional. Noncovered family employment is any work performed by:

Who Must Comply

Farm employers must make Social Security and Medicare deductions:

- If they pay an employee \$150 or more in cash wages during a calendar year.
- If they pay total wages of \$2,500 or more per year to all employees (these criteria are identical to those for income tax withholding).
- A child under eighteen years of age in the employ of his or her father or mother.
- A parent in the employ of a son or daughter performing domestic service in or about the home of the son or daughter or work not in the

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course of the son's or daughter's trade or business.

- H-2A temporary foreign agricultural workers are exempt from this program, as noted above.
- In the case of farm labor contractors (FLC), while farmers can rely on them to withhold and deposit Social Security and Medicare taxes as part of the FLC's services (the IRS uses a twenty-factor test to determine who is responsible for these taxes), it is mandatory for farm operators to keep a record of the FLC's name, permanent address, and employer ID number.

Note: The family exclusion does not apply when the employer is a corporation or association classified as a corporation or a partnership, unless the family relationship exists between the employee and all the partners.

Employers Must

- *Social Security Taxes.* Withhold 6.2 percent of the employee's cash wages (including the initial \$150) and add 6.2 percent as the employer's contribution (during 2009 the tax is limited to the first \$106,800 of annual wages).
- *Medicare Taxes.* Withhold 1.45 percent of the employee's cash wages (including the initial \$150) and add 1.45 percent as the employer's contribution. The taxable wage base for Medicare is unlimited. The total annual combined employer-employee taxes for Social Security and Medicare are 15.3 percent of gross wages.

Deposit / Record-Keeping Rules

- Employee must be given a Form W-2, *Wage and Tax Statement*, showing the amount of earnings, income tax withheld, and amount of Social Security and Medicare deductions by January 31st of each year. Those employees who had zero withheld must be provided with Notice 797, *The Earned Income Tax Credit Refund*, or Copy C of the W-2 Form. Employees who claimed total exemption in the previous year

must fill out a new W-4 Form by February 15th of the following year.

- Employers must deposit FICA taxes in a Federal Reserve Bank or authorized financial institution, depending on the size of the combined deductions/contributions. Deposits must be accompanied by Form 8109, *Federal Tax Deposit Coupon*. The deposit rule schedule is the same as for income tax withholding.
- Employers must attach copies of each employee's W-2 Form to Form W-3, *Transmittal of Income and Tax Statements*, and send both to the Social Security Administration by February 28th.
- Employers must file Form 943, *Employer's Annual Tax Return for Agricultural Employers*, with the IRS by January 31st of each year (or February 10th if taxes were paid in full).
- The total of W-2 wages and taxes should equal total of the W-3 wages and taxes, which should equal the total of Form 943 wages and taxes. That figure should then equal the total of taxes deposited. Reconciling and correcting any differences between the various forms will reduce the chance of notices, penalties, and audits.
- Employers are also required to keep payroll records for four years after the taxes are due and paid. These records must include:
 - Names, addresses, and occupations of employees.
 - Periods of employment.
 - Social Security numbers.
 - Employer's identification number (EIN).
 - Total amount and date of each wage payment.
 - Amounts deducted for FICA and income tax withholding.

Self-Employed Farmers

Under the Self-Employed Contributions Act, self-employed farmers (unincorporated) who report a net income of \$400 or more from farming operations must contribute to Social Security and Medicare. The contribution rate in 2009 was 12.4 percent of annual net earnings up to \$84,900 for Social Security and 2.9 percent of annual net earnings (unlimited) for Medicare (15.3 percent total).

If a farmer also earns wages subject to Social Security and Medicare deductions, he or she must contribute to the self-employment income until the combined earnings reach the annual Social Security and Medicare limits. Self-employed income is reported on Schedule F (Form 1040).

Additional Information

- Circular A, Agricultural Employer's Tax Guide, Publication 51, Department of Treasury, Internal Revenue Service (published annually)
- Farmer's Tax Guide, Publication 225, Department of the Treasury, Internal Revenue Service (published annually)

The following fact sheets are available from most local Social Security offices

- No. 4 - If You're Self-Employed.
- No. 5 - Reporting Farm Income.
- No. 6 - Crew Leaders and Farmers.
- No. 8 - Agricultural Workers.

Responsible Agency

- U.S. Department of Health and Human Services
- Social Security Administration

For local Social Security offices, see telephone directory for

- U.S. Government

- Health and Human Services
- Social Security Administration

Dial toll-free 1(800) 772-1213

For local Internal Revenue Service offices, see telephone directory for

- U.S. Government
- Internal Revenue Service

For ordering tax forms, dial toll-free 1(800) 829-3676

For tax information and assistance, dial toll-free 1(800) 829-1040