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Delaware Paid Leave is Coming

Companies operating in Delaware and wanting to maintain or "grandfather" their existing paid leave programs must file with the state by the end of 2023, even though Delaware's official **Paid Leave Program** for businesses with 10 employees or more will not take effect until January 2025.

These programs are ones guaranteed as part of a company's benefits package but not necessarily specially funded. Being grandfathered will allow these programs to operate independently for five years. After that, the company must join the official paid leave program by December 2029.

The application portal opened Oct. 1 at **https://labor.delaware.gov/delaware-paid-leave-is-coming** and will continue through the end of 2023.

The Paid Leave Program, which was enacted into law May 11, 2022, and officially went into effect July 11, provides 12 weeks of paid parental leave and six weeks of medical and caregiving leave through a new state social insurance program. Under the bill, eligible Delaware workers will receive up to 80% of their average weekly wages or up to $900 through the state-run insurance program. Companies with 10 or more employees, but fewer than 25, will be responsible only for the parental leave but not the medical and caregiving leave.

Employers' contributions will begin January 1, 2025, and employees will be eligible to begin taking paid leaves after January 1, 2026. Employers who wish to opt out to use a private plan and small groups who want to opt into the state program have until December 1, 2024 to do so. The Senate bill authorizing the program, known as the Healthy Delaware Families Act, was sponsored by State Senator Sarah McBride (D-Wilmington), and signed into law by Governor John Carney.

Delaware was the 11th state to agree to provide the insurance and now 13 states and the District of Columbia offer paid leave or have committed to offering it. The final Delaware legislation, which took two legislative sessions to pass, attracted the votes of three Republican state senators to add to those of the majority Democratic caucus.

The state's Paid Leave program will be funded by a 0.8% tax of an employee's weekly pay, split evenly between the employee and employer. According to the official analysis, 0.4% of the tax will be for medical leave benefits, 0.08% for family caregiving, which includes military leave, and 0.32% for parental leave. The 0.8% tax will equal $4 for every $1,000 spent. The Delaware Department of Labor will reassess the rates in early 2027.

It is important that we educate our employees about the new program. Look for an insert that will be placed in the monthly unemployment insurance packages sent to your company from the State of Delaware in the near future.

Additional information on Paid Leave is available online at https://labor.delaware.gov/delaware-paid-leave-is-coming.

How Long Do I Need to Keep Payroll Records?

As a business owner, it is crucial to understand the importance of keeping accurate and complete payroll records. Not only does it ensure compliance with federal and state regulations, but it also provides valuable information for auditing purposes and employee verification. According to the IRS, payroll records should be kept for at least four years after filing the associated tax return, but state and local laws can fluctuate depending on location, so it is important to be in the know. So, let's address several questions related to the retention of payroll records, and what regulations are most relevant to you.

What is a Payroll Register?

A payroll register is a document that contains a summary of all employee payroll transactions for a specific period. It typically includes details such as employee names, hours worked, wages paid, deductions, and taxes withheld. The payroll register serves as a vital reference tool for reconciling payroll expenses and can help identify any discrepancies or errors.

How long does the IRS require you to keep payroll records?

The IRS requires businesses to retain payroll records for a specified period. Generally, you should keep these records for at least four years after the date of filing the associated tax return. This includes documents such as employee copies of Form W-2, W-4 forms, timecards, earnings statements, and tax withholding records. It is essential to note that the IRS may conduct audits within this timeframe, so retaining accurate and organized records is advisable.

What are Payroll Documents and Payroll Files?

Payroll documents refer to various records gathered and maintained by employers for each employee. These may include employment contracts, tax forms, direct deposit authorization forms, benefit enrollment forms, and any other relevant paperwork pertaining to an individual's employment. Payroll files are physical or electronic folders where these documents are securely stored.

Do Employers Keep Records of Past Employees?

Yes, employers should keep records of past employees as part of their ongoing record-keeping requirements. These records should include crucial information such as job titles, dates of employment, pay rates, tax withholdings, benefits received, and reasons for termination. Retaining these records ensures compliance with legal obligations and enables smooth processes during audits or when future employment verifications arise.

Employee Records Retention by State

Apart from federal requirements, each state has its own regulations regarding the retention of employee records. Some states may require longer retention periods or have specific record-keeping obligations. It is crucial to understand and comply with the specific guidelines in your state regarding the retention of payroll records. Retention in Delaware, Maryland and Virginia is three years; Pennsylvania is four years; New Jersey and New York are six years and West Virginia is two years and there are a few states that require seven years. Most states have websites or resources available that provide detailed information on record-keeping obligations by employers.

Proper payroll record retention is crucial for business owners to ensure compliance with federal and state regulations, facilitate auditing processes, and provide necessary information for employee verifications. By understanding the guidelines set forth by the IRS and your specific state, establishing efficient record-keeping practices, and remaining organized, you can effectively manage your payroll records and protect sensitive employee information.

Time to Update Your AAPs

Many Affirmative Action Plans (AAPs) expire on December 31, 2023. Under federal law, government contractors and subcontractors with 50 or more employees who have entered into at least one contract of $50,000 or more with the federal government must prepare and maintain a written affirmative action program. AAPs must be developed within 120 days from the commencement of the contract, updated annually, and submitted to DOL during the first quarter of 2024.

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