



LEGISLATIVE MEMORANDUM

TO: Honorable Mayor and Members of the City Council

FROM: Suzanne Sherman, City Manager

THRU: Larry Wojciechowski, Finance Director

DATE: November 7, 2024

RE: Consideration of allocating General Fund Undesignated Fund Balance for payment of penalty for late submission of tax forms to the Internal Revenue Service (\$54,550).

SUMMARY:

On or before January 31 of each year, the Internal Revenue Service (IRS) requires employers to submit W-2/1099-NEC forms for the previous year. On October 23, 2024, the City of Palm Bay was notified by letter from the IRS (attached), that the City was not in compliance for calendar year 2022 and the City owes a penalty of \$54,550.

After researching and confirming that the W-2 and 1099 forms were uploaded on 02/17/23 and 02/28/23, respectively, staff has confirmed that the City did submit after 1/31/23 for calendar year 2022 and therefore was not in compliance with the IRS rule. The calculation for the penalty is \$50 per W-2/1099 and 1,091 were submitted which equals the \$54,550 penalty. When the late submissions were made, no indication or notification was given to the City indicating that a penalty would be forthcoming, so staff was not aware until the attached notice was received.

Historically the City had always submitted these forms in a timely manner, and the 2024 submissions for calendar year 2023 were done by the IRS deadline. Staff has determined that the delay in submission was due to the responsibility for submission being handled by a single staff member who was dealing with significant medical issues at the time. To avoid a repeat of this issue in the future, multiple staff members in the Finance Department now have shared responsibility for this task. Additionally, when the City's new ERP system that is being implemented is online, it will interface with the IRS directly and eliminate the manual uploading of the information, thereby adding an additional improvement to the process in the future.

REQUESTING DEPARTMENTS:

Finance

FISCAL IMPACT:

Staff is requesting to move \$54,550 from General Fund Undesignated Fund (001-0000-392-100) to the General Government account (001-9010-519-4909).

STAFF RECOMMENDATION:

Motion to approve the use of General Fund Undesignated Funds for a 2022 penalty for late submission of tax forms to the IRS.

ATTACHMENTS:

1. 2022 IRS Penalty Notification
2. 2022 w2 notification
3. 2022 1099 upload