

AG RENT

The definition of Ag Rent is "housing provided to employees for the convenience of the employer." This is not the same as rent you are charging your employees to be allowed to live in housing. Ag employers run into this situation for payroll purposes when employees are living in housing provided RENT - FREE.

As an overview, the EDD establishes a minimum weekly allocation for Ag Rent. For 2007, this amount is \$33.80 per week. The amount can usually be found on Page 2 of the Fourth Quarter "California Employer" newsletter, which comes with the DE-6 form that the EDD mails to you. There are 13 weeks in a quarter, which would total \$439.40 for the entire quarter. Of course, this is assuming the employee lived in the house the entire quarter. Just keep in mind that the amount of Ag Rent reported for each employee per quarter is based on number of weeks. Count a partial week as an entire week.

One of the most confusing parts about Ag Rent is that it is only a STATE reporting requirement. It is reported quarterly on the DE-6 and annually on the DE-7. It is not subject to all taxes AND it is not written as a check to the employee. It is only subject to SUTA, SDI, & ETT. It is not subject to any federal (Social Security, Medicare, Federal W/H, or FUTA) or state W/H taxes.

It is reported as SUBJECT WAGES in the first column of the DE-6, meaning that it is subject to SUTA. Since it is subject to SUTA, this means it is also subject to ETT.

Ag Rent does NOT show up in the second column of the DE-6, since it is NOT subject to State withholding.

Remember that it is subject to SDI, which gets paid in with the DE-88 coupon. The amount of SUTA tax & ETT also get paid in the DE-88 on a quarterly basis.

The only federal reporting requirement is that the amount of SDI "withheld" shows up on the W-2 with the rest of the SDI reported. The amount of the gross Ag Rent allocation (or the gross Ag Rent wage) does not show up on the W-2, unless you report your SDI wages and taxes in boxes 18 through 20 instead of box 14.

If you are already doing all of this, great! If not, we recommend that you become compliant with this reporting requirement in case of an EDD Audit. And yes, in our experience, this issue has come up.

If you need help with this computation and maybe how to set it up in your computer systems, we are available to help you since each software program handles the recording and reporting a little differently.

Following is an example of an Ag Rent computation and how it flows to the payroll tax forms.

AG RENT EXAMPLE

Ag Rent is housing:

- 1) Furnished on the employer's premises,
- 2) For the employer's convenience, AND
- 3) As a condition of employment.

Employee John Doe lives in rent-free housing on the employer's premises for all 13 weeks of the quarter.

Assume regular gross wages	\$1,000.00
Ag Rent = 13 weeks X \$33.80 per week (2007) =	<u>439.40</u>
Therefore, total wages for <u>state</u> reporting purposes	<u>\$1,439.40</u>

On the regular wages, assume the following state taxes:

SDI W/H (for 2007, rate is 0.06%)	\$ 6.00
SUTA (assume an EDD assigned employer rate of 3.4%)	34.00
ETT (if employer is subject, rate is 0.1%)	1.00
State W/H (Ag employers not required to withhold, but may agree to do so upon the employee's request)	Assume \$0.00

State taxes on the Ag Rent are as follows:

SDI (same rate as above)	\$2.63
SUTA (assume same rate as above)	14.39
ETT (again, assuming employer is subject)	0.43

No state tax is withheld on Ag Rent.
(Reminder: Ag Rent is not subject to Federal taxes)

For the DE-88 (assuming a quarterly depositor), the taxes are:

SUTA = \$34.00 + 14.39 =	\$48.28
ETT = \$1.00 + 0.43 =	1.43
SDI = \$6.00 + 2.63 =	8.63
PIT (State W/H) =	0.00