

FEDERAL

Federal Unemployment Tax Act (FUTA)

The Federal Unemployment rate is 6.2% of wages less a maximum credit of 5.4% for amounts paid under State unemployment insurance laws. Accordingly, the normal net FUTA tax is .8%.

Maximum wage base - \$7,000
Employee's share - None

401(K) Limits

Maximum employee contribution - \$16,500
(\$22,000 for employees age 50 or older)

Deposits of Federal Withholding and Social Security Taxes

Employers who had yearly tax deposits of more than \$200,000 in the year two years before the current year or those employers required to make electronic deposits in 2008 must make federal tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS) in 2009. Employers below this threshold have a choice between making payments using Federal Tax Deposit coupons or through the EFTPS system.

The guidelines are as follows:

- 1. Monthly Deposits:** Employers who reported \$50,000 or less during the lookback period will deposit monthly. Monthly deposits of accumulated taxes must be made by the 15th day of the following month.
- 2. Semi-Weekly Deposits:** Employers who reported over \$50,000 during the lookback period are generally required to deposit taxes on or before two specified days of the week—Wednesday or Friday—depending on the timing of the employer's payrolls. For paydays on Wednesday, Thursday, or Friday, the deposit will be due by the Wednesday after payday. For all other paydays, the deposit will be due by the Friday following payday.
- 3. One-Day (\$100,000) Rule:** Employers who accumulate employment taxes of \$100,000 or more during a deposit

period (either a monthly or semi-weekly period) must deposit those taxes by the next banking day.

4. \$2,500 and \$1,000 Rules: Businesses with less than \$2,500 in quarterly employment taxes and less than \$1,000 in annual employment taxes will be allowed to make payments with their timely filed return using Form 941. Employers receiving written notification that they qualify to file Form 944 must file Form 944 instead of Form 941.

Deposits of FUTA

Employers are required to make a deposit of FUTA taxes at an authorized federal depository when the FUTA tax liability exceeds \$500 in a calendar quarter. If the FUTA tax liability is \$500 or less in a quarter, it could either be deposited or added to the next quarter. Employers of household employees are not required to deposit FUTA taxes unless you report their wages on Form 941 or Form 943.

Withholding Taxes

Use the withholding chart that became effective on January 1, 2009. Employers receiving Form W-4 claiming more than 10 withholding exemptions are required to submit the Forms W-4 to the IRS only if directed to do so in a written notice or pursuant to specified criteria set forth in future published guidance.

Effect of Earned Income on Social Security Benefits

Once an individual attains full retirement age (FRA — 66 for retirees born in 1943), earned income will not affect social security benefits. The benefits may be partially or fully taxable. If you are under FRA in 2009, \$1 in benefits will be deducted for every \$2 earned over \$14,160. If you reach FRA in 2009, \$1 in benefits will be deducted for every \$3 you earn over \$37,680, but only counting earnings before the month you reach FRA. Starting with the month you reach FRA, you will receive your benefits with no limit on your earnings.

| Social Security Tax (FICA) | Total | Old Age, Survivor & Disability Portion | Medicare Hospital Insurance Portion |
|--|-------|--|-------------------------------------|
| Rate | 15.3% | 12.4% | 2.9% |
| Employer's share | 7.65% | 6.2% | 1.45% |
| Employee's share | 7.65% | 6.2% | 1.45% |
| Maximum wage base | | 106,800 | No Limit |
| Maximum payroll deduction | | 6,621.60 | No Limit |
| Self-employment tax | | | |
| Rate | 15.3% | 12.4% | 2.9% |
| Maximum earnings base | | 106,800 | No Limit |
| Maximum self-employment tax | | 13,243.20 | No Limit |
| One-half of the self-employment tax will be deductible from the taxpayer's gross income. | | | |

2009

PAYROLL TAX UPDATE

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|---------------|--------------|
| Beverly Hills | 310.273.2770 |
| Dallas | 214.665.6000 |
| Denver | 303.675.0666 |
| Grand Cayman | 345.949.6333 |
| New York | 212.997.0500 |
| Orange County | 949.833.8900 |
| Roseland | 973.994.6666 |
| San Francisco | 415.788.6666 |
| Walnut Creek | 925.946.1300 |

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CALIFORNIA

Unemployment and Disability

In 2009, employers with less than three years of coverage are assigned standard rates of 3.4% on a \$7,000 maximum wage base for California Unemployment Insurance.

Employers are not required to make contributions to the California Disability Insurance Fund. The California Disability Insurance rate for employees is 1.1% on a \$90,669 maximum wage base.

Withholding Taxes

Use the withholding schedules dated for 2009. Employees requesting withholding allowances different from Federal Form W-4 must complete California EDD Form DE-4.

Electronic Funds Transfer (EFT)

Employers whose average tax deposit is \$20,000 or more per quarter for the prior state fiscal year (July 1 to June 30), are required to deposit the funds using EFT during the next calendar year. First time mandatory EFT filers will be notified of their status by October 31 prior to the year of EFT participation.

Employment Training Tax (ETT)

The ETT rate for 2009 is .1%. The UI and ETT taxable wage limit remains at \$7,000 per employee per calendar year.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of California is \$8.00.

COLORADO

Unemployment and Disability

New employers are assigned a standard contribution rate of 1.7%, the surtax rate is .22%, and the solvency rate is .60%, resulting in a combined rate of 2.52%. The maximum wage base for Colorado Unemployment Insurance is \$10,000. Employees require no contribution. There are no disability provisions in Colorado.

Withholding Taxes

Use the withholding table that became effective on January 1, 2009. Employee withholding allowances are the same as claimed on the federal W-4 forms.

Electronic Funds Transfer (EFT)

Employers with annual wage withholding liabilities greater than \$50,000 are required to make payments through EFT.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of Colorado is \$7.28.

CONNECTICUT

Unemployment and Disability

In 2009, employers with less than one full fiscal year (ending June 30) of experience are assigned a standard contribution rate of 3.0% on a \$15,000 maximum wage base for Connecticut Unemployment Insurance. No contribution is required by employees.

There are no disability provisions in Connecticut payroll law.

Withholding Taxes

Use the withholding table that became effective on January 1, 2009. Employers must obtain a completed copy of Form CT-W4, Employee's Withholding Certificate, from each new employee when hired.

Electronic Funds Transfer (EFT)

Taxpayers whose prior year tax liabilities exceeded \$10,000 for the 12-month period ending the preceding June 30 for monthly and quarterly tax liabilities, or for the preceding tax year for annual tax liabilities and who are notified by the Department of Revenue Services (DRS) to pay by EFT, must pay by EFT. Employers must continue to pay by EFT unless they have been notified by the DRS that they are no longer required to do so.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of Connecticut is \$8.00.

NEW JERSEY

Unemployment and Disability

In 2009, employers with less than three years of coverage are assigned standard contribution rates of 2.6825% for New Jersey Unemployment Insurance, .5% for New Jersey Disability Insurance and .1175% for New Jersey Workforce Development/Supplemental Workforce Funds. After three years of coverage, rates will be determined under experience rating provisions.

Maximum wage base - \$28,900 for 2009
Employee's share - .925%

New Family Leave Insurance

As of January 1, 2009, employers are required to withhold .09% of employees' taxable wages per the New Jersey Temporary Disability Benefits Law. Starting July 1, 2009, this law will provide up to six weeks of Family Leave Insurance Benefits for employees for the purpose of providing care for a newborn child or sick family member. Benefits are payable to covered employees from either the New Jersey State plan or an approved employer-provided private plan.

Withholding Taxes

Use the percentage of withholding table that became effective January 1, 2009. Employees requesting withholding allowances different from Federal Form W-4 must complete a separate Form New Jersey W-4.

Electronic Funds Transfer (EFT)

Employers with previous year's liability of \$10,000 or more are required to use EFT. Required users will be notified by the Division of Taxation.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of New Jersey is \$7.15 (\$7.25 as of 7/24/09).

NEW YORK

Unemployment and Disability

In 2009, new employers will be assigned a standard contribution rate of 4.1% on an \$8,500 maximum wage base for New York State Unemployment. No contribution is required by employees.

The New York State Disability rate (for State insurance funds) is 16¢ per \$100 of salary for male employees and 32¢ per \$100 of salary for female employees.

Maximum wage base – Limited to \$340 per week per employee; employee's share: 1/2 of 1% of wages, but not more than 60¢ per week.

Withholding Taxes

Use the withholding table that became effective on January 1, 2009. Employees requesting withholding allowances different from Form W-4 must complete Form IT-2104. Employers receiving IT-2104 which claims more than 14 allowances must submit such form to the Department of Taxation and Finance.

Electronic Funds Transfer (EFT)

Taxpayers who have a tax liability of \$100,000 or more during the previous year are required to enroll in the Prompt Tax Withholding Tax program and deposit the payroll tax withheld using EFT.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of New York is \$7.15 (\$7.25 as of 7/24/09).

TEXAS

Unemployment and Disability

In 2009, new employers are assigned a standard contribution rate of 2.7% on a \$9,000 maximum wage base for Texas Unemployment Insurance. There are no disability provisions in Texas.

Electronic Funds Transfer (EFT)

Taxpayers who have a tax liability of \$250,000 or more during the preceding state fiscal year, September 1 through August 31, will be required to make payments using EFT. The Texas State Comptroller's Office will inform taxpayers at least 60 days prior to the effective date that they must remit payments by EFT.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the state of Texas is \$6.55 (\$7.25 as of 7/24/09).

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In order to comply with U.S. Treasury Regulations governing tax practice (known as "Circular 230"), you are hereby advised that any tax advice provided herein was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of (i) avoiding U.S. federal, state or local tax penalties, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.