

2010 PAYROLL TAX UPDATE

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FEDERAL

FICA	
Social Security (OASDI) Wage Base	\$106,800
Medicare (HI) Wage Base	No Limit
Social Security (OASDI) Percentage	6.2%
Medicare (HI) Percentage	1.45%
Maximum Social Security (OASDI) Withholding	\$6,621.60
Maximum Medicare (HI) Withholding	No Limit
Maximum Amount of Earnings to Still Receive Full Benefits Under Full Retirement Age	\$14,160

Federal Unemployment Tax Act (FUTA)

The Federal Unemployment tax 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

Supplemental Wage/Bonus Rate

Flat rate withholding method: 25%
Pay is over \$1 Million: 35%

401k 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 (2008) or those employers required to make electronic deposits in 2009 must make Federal tax deposits electronically via the Electronic Federal Tax Payment Systems (EFTPS) in 2010. Employers below this threshold have a choice between making payments using Federal Tax Deposit coupons or through the EFTPS. If you are required to make deposits through the EFTPS and fail to do so, or make your deposit using a paper coupon, you may be subject to a 10% penalty.

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 on any day must deposit those taxes by the next banking day. If this happens the employer becomes a semi-weekly depositor for the remainder of the calendar year and for the following calendar year.
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 may receive written notification from the IRS that they qualify to file Form 944—Employer's Annual Federal Tax Return.

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 can either be deposited or added to the next quarter.

Withholding Taxes

Employers receiving Form W-4 claiming more than 10 withholding exemptions are required to submit the Form W-4 to the IRS only if directed to do so.

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INDIVIDUAL STATES

CALIFORNIA

Unemployment and Disability

In 2010, 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 (UI). If an employer purchased an established business, they have the option of acquiring the previous owners UI tax rate. The tax rates for established employers vary between 1.5% and 6.2%, and these rates include an emergency surcharge of 15% for 2010.

Employers are not required to make contributions to the California Disability Insurance Fund as long as they get approval from the Employment Development Department (EDD) for a Voluntary Plan for the payment of Disability Insurance. The California Disability Insurance rate for employees is 1.1% on a \$93,316 maximum wage base. The maximum to withhold for each employee is \$1,026.48.

Withholding Taxes

Employees requesting withholding allowances different from Federal Form W-4 must complete California EDD Form DE-4.

Supplemental Wage Rate

6.6%, except 10.23% for bonuses and earnings from stock options.

Electronic Funds Transfer (EFT)

Employers whose average tax deposit is \$20,000 or more per quarter for the prior State fiscal year (July 1 – 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.

Employers will be assessed a penalty equal to 10% of the amount paid if they are required to remit payments by EFT but remit payment by other means.

Employment Training Tax (ETT)

The ETT rate for 2010 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 tax surcharge 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

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 \$7.24.

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INDIVIDUAL STATES

CONNECTICUT

Unemployment and Disability

In 2010, employers with less than one full fiscal year (ending June 30) of experience are assigned a standard contribution rate of 2.9% on a \$15,000 maximum wage base for Connecticut Unemployment Insurance. No contribution required by employees.

There are no disability provisions in Connecticut payroll law.

Withholding Taxes

Employers must obtain a completed copy of the Form CT-W4, Employees Withholding Certificate, from each new employee when hired.

Electronic Funds Transfer

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 that tax by EFT must pay the tax 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 \$8.25.

NEW JERSEY

Unemployment and Disability

In 2010, 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: \$29,700 for 2010.

Employee's share: .925%

Family Leave Insurance

Employers are required to withhold .12% of employees' taxable wages per the New Jersey Temporary Disability Benefits law. This program 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.

Maximum wage base: \$29,700 for 2010.

Withholding Taxes

Employees requesting withholding allowances different from Federal Form W-4 must complete a separate Form New Jersey W-4.

Supplemental Wage/Bonus Rate

No provision, but for pay over \$500,000 withhold 9.9%.

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 \$7.25.

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INDIVIDUAL STATES

NEW YORK

Unemployment and Disability

In 2010, new employers will be assigned a standard contribution rate of 4.1% on an \$8,500 maximum wage base for New York State Unemployment Insurance. 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: .5% of wages, but not more than 60¢ per week.

Withholding Taxes

Employees requesting withholding allowances different from Federal 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.

Metropolitan Commuter Transportation Mobility Tax (MCTMT)

The MCTMT is a new tax of .34% that is imposed on certain employers and self-employed individuals engaging in business within the metropolitan commuter transportation district (MCTD). The MCTD includes the counties of New York (Manhattan), Bronx, Kings (Brooklyn), Queens, Richmond (Staten Island), Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess, and Westchester.

Tax applies if an employer withholds New York State Income tax from wages and the payroll expense exceeds \$2,500 in any calendar quarter.

Individuals, partners and members of an LLC, treated as a partnership, who have net earnings from self-employment allocated to the MCTD that exceed \$10,000 for the tax year are also subject to this tax.

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 PromptTax Withholding Tax program and deposit the payroll tax withheld using EFT. A Notice of Required Participation will be sent to newly identified taxpayers who will then have 20 days to enroll.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the State of New York is \$7.25.

TEXAS

Unemployment and Disability

In 2010, 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 \$100,000 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.

Taxpayers who have a tax liability of \$10,000 or more in the following tax category are also required to use EFT: Sale & Use Tax, Direct Pay, Natural Gas, Crude Oil, Franchise, Gasoline, Diesel Fuel, Hotel Occupancy, Insurance Premium, Mixed Beverage Gross Receipts, and Motor Vehicle Rental.

Minimum Hourly Wage Rate

The minimum hourly wage rate for the State of Texas is \$7.25. ^{rk}