

PAYROLL TAX HIGHLIGHTS

YEAR 2010



Below, we have summarized the major changes, as of this date, which will affect your payroll tax calculations **effective January 1, 2010**.

Federal Individual Income Tax

Rates remained the same for 2010. Some of the tax bracket amounts have changed only slightly after inflation adjustments, and standard deductions have remained unchanged for 2010. There is no phase-out of personal exemptions for 2010. The personal exemption for 2010 remains at \$3,650. (See schedule 1 for tax brackets, rates and standard deductions).

Social Security Tax

Social security tax is broken into two sections, Social Security and Medicare. The following is each section's rate and base for 2010:

	<u>Social Security</u>	<u>Medicare</u>
Rate	6.2%	1.45%
Base	\$106,800	Unlimited
Maximum Employer Portion	\$6,621.60	Unlimited
Maximum Employee Portion	\$6,621.60	Unlimited

Pennsylvania

The maximum taxable wages for Pennsylvania Unemployment remains at \$8,000 per employee. The surcharge on employer contributions remains at 5.8% (.058). The employer additional contribution increases to 0.65% (.0065). Additionally, the percentage of employee wages required to be withheld as unemployment compensation tax increases to 0.08% (.0008). This 0.08% tax does not have a wage limit.

New Jersey Individual Tax

New Jersey individual tax rates for 2010 will revert to the rates for tax year 2008. The tax rates start at 1.4% with a graduating tax schedule rising to a maximum tax rate of 8.970% (See schedule 2 for tax brackets and rates).

Pennsylvania Individual Tax

The Pennsylvania individual income tax withholding rate remains at 3.07% for 2010.

Philadelphia Wage Tax

The withholding rate for Philadelphia City Wage Tax was reduced, effective July 1, 2009, to 3.9296% (.039296) for residents and 3.4997% (.034997) for non-residents.

Federal Unemployment Tax

Federal Unemployment Tax remains at 6.2% with a maximum state credit of 5.4% for a net tax of .8% (.008) on the first \$7,000 of wages per employee.

New Jersey

The maximum taxable wages for New Jersey Unemployment and Disability will increase to \$29,700 per employee. The withholding rate will increase to 1.045% (.01045). The employee percentage is divided as follows:

0.3825%	Unemployment
0.0425%	Workforce Development
0.5000%	Disability
0.1200%	Family Leave Insurance
<u>1.0450%</u>	

IMPORTANT REMINDERS

401(k) Limits

The maximum employee contributions will remain at \$16,500 for 2010. Please note that this contribution is limited to the lesser of \$16,500 or the percentage of wages specified in your 401(k) Plan document. The maximum employee contributions for employees age 50 or older is \$22,000 for 2010. The contribution is limited to the lesser of \$22,000 or the percentage of wages specified in your 401(k) Plan document.

Minimum Hourly Wage

	<u>Amount</u>	<u>Effective Date</u>	
Federal	\$7.25	July	24, 2009
New Jersey	\$7.25	July	24, 2009
Pennsylvania	\$7.25	July	24, 2009
PA Small Employers*	\$7.25	July	24, 2009

*Employers with equivalent of 10 or fewer full-time employees calculated on a 40-hour work week.

Quickbooks

Please note that if you have payroll with Quickbooks and you keep current with all the payroll updates, Quickbooks makes the changes automatically.

Who to contact

If you have any questions please contact:

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FEDERAL PERSONAL INCOME TAX RATES FOR 2010

Taxable Income	Tax Bracket
Over	Over

Single Individuals

\$ -0 -	\$ 8,375	10% of the taxable income
8,375 -	34,000 -	\$837.50 plus 15% of the excess over \$8,375
34,000 -	82,400 -	\$4,681.25 plus 25% of the excess over \$34,000
82,400 -	171,850 -	\$16,781.25 plus 28% of the excess over \$82,400
171,850 -	373,650 -	\$41,827.25 plus 33% of the excess over \$171,850
373,650 -	Over	\$108,421.25 plus 35% of the excess over \$373,650

Standard Deduction \$5,700

There is no phase-out of personal exemptions for 2010

Married Filing Jointly and Surviving Spouses

\$ -0 -	\$ 16,750	10% of the taxable income
16,750 -	68,000	\$1,675 plus 15% of the excess over \$16,750
68,000 -	137,300	\$9,362.50 plus 25% of the excess over \$68,000
137,300 -	209,250	\$26,687.50 plus 28% of the excess over \$137,300
209,250 -	373,650	\$46,833.50 plus 33% of the excess over \$209,250
373,650 -	Over	\$101,085.50 plus 35% of the excess over \$373,650

Standard Deduction \$11,400

There is no phase-out of personal exemptions for 2010

Married Filing Separately

\$ -0 -	\$ 8,375	10% of the taxable income
8,375 -	34,000	\$837.50 plus 15% of the excess over \$8,375
34,000 -	68,650	\$4,681.25 plus 25% of the excess over \$34,000
68,650 -	104,625	\$13,343.75 plus 28% of the excess over \$68,650
104,625 -	186,825	\$23,416.75 plus 33% of the excess over \$104,625
186,825 -	Over	\$50,542.75 plus 35% of the excess over \$186,825

Standard Deduction \$5,700

There is no phase-out of personal exemptions for 2010

Head of Household

\$ -0 -	\$ 11,950	10% of the taxable income
11,950 -	45,550	\$1,195 plus 15% of the excess over \$11,950
45,550 -	117,650	\$6,235 plus 25% of the excess over \$45,550
117,650 -	190,550	\$24,260 plus 28% of the excess over \$117,650
190,550 -	373,650	\$44,672 plus 33% of the excess over \$190,550
373,650 -	Over	\$105,095 plus 35% of the excess over \$373,650

Standard Deduction \$8,400

There is no phase-out of personal exemptions for 2010

*See Circular E for withholding amounts that should be made through payroll.

NEW JERSEY INCOME TAX RATES FOR 2010

Please note that these rates are New Jersey Income Tax Rates, not Withholding Tax Rates. The New Jersey Withholding Tax Tables for 2010 can be found at <http://www.state.nj.us/treasury/taxation/pdf/whtables2010.pdf>.

FOR MARRIED PEOPLE FILING JOINTLY, HEADS OF HOUSEHOLDS AND SURVIVING SPOUSES

<u>Taxable Income</u>	<u>Tax Rate</u>
Not over \$20,000	1.4%
\$20,001 - \$50,000	\$280 plus 1.750% of excess over \$20,000
\$50,001 - \$70,000	\$805 plus 2.450% of excess over \$50,000
\$70,001 - \$80,000	\$1,295.50 plus 3.500% of excess over \$70,000
\$80,001 - \$150,000	\$1,645 plus 5.525% of excess over \$80,000
\$150,001 - \$500,000	\$5,512.50 plus 6.370% of excess over \$150,000
Over \$500,000	8.97% of excess over \$500,000

FOR TAXPAYERS WHOSE FILING STATUS IS SINGLE OR MARRIED PEOPLE FILING SEPARATE RETURNS AND ESTATES AND TRUSTS THE RATES ARE:

<u>Taxable Income</u>	<u>Tax Rate</u>
Not over \$20,000	1.4%
\$20,001 - \$35,000	\$280 plus 1.750% of excess over \$20,000
\$35,001 - \$40,000	\$542.50 plus 3.500% of excess over \$35,000
\$40,001 - \$75,000	\$717.50 plus 5.525% of excess over \$40,000
\$75,001 - \$500,000	\$2,651.25 plus 6.370% of excess over \$75,000
Over \$500,000	8.97% of excess over \$500,000