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PAYROLL TAX HIGHLIGHTS YEAR 2012

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS



Below, we have summarized the major changes, as of this date, which will affect your payroll tax calculations **effective January 1, 2012**.

Federal Individual Income Tax

The federal individual tax rates remain the same for 2012. Some of the tax bracket amounts have changed slightly after inflation adjustments. The phase-out of personal exemptions remains repealed until December 31, 2012. The personal exemption for 2012 is \$3,800. (See schedule 1 for tax brackets, rates and standard deductions)

Social Security Tax

The social security wage base for 2012 has increased to \$110,100. Effective January 1, 2011 the employee Social Security tax rate was reduced to 4.2%.

Note: The reduction of the employee Social Security tax rate was scheduled to expire as of December 31, 2011. As of the date of this newsletter, **there is legislation pending** to extend this reduction through February 29, 2012. The reduction may be further extended through December 31, 2012.

Social security tax is broken into two sections, Social Security and Medicare. The following is each section's rate and base for 2012:

	<u>Social Security</u>	<u>Medicare</u>
Rate - Employer	6.2%	1.45%
Rate - Employee	6.2%	1.45%
Base	\$110,100	Unlimited
Maximum Employer Portion	\$6,826.20	Unlimited
Maximum Employee Portion	\$6,826.20	Unlimited

New Jersey Individual Tax

New Jersey individual tax rates remain the same for 2012. 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 2012.

Philadelphia Wage Tax

The withholding rate for Philadelphia City Wage Tax remains the same for residents (3.928% or .03928) and for non-residents (3.4985% or .034985) through June 30, 2012.

Pennsylvania Act 32

Effective January 1, 2012, Pennsylvania Act 32 requires all Pennsylvania employers to comply with the reforms to the local earned income tax collection system. Act 32 does not impact Philadelphia.

Federal Unemployment Tax

The FUTA tax rate decreased to 6.0% beginning July 1, 2011. The maximum state credit is 5.4% for a net tax of 0.6% (.006) on the first \$7,000 of wages per employee. Federal law provides for a reduction in the FUTA tax credit when a state has outstanding federal loans for two years. New Jersey and Pennsylvania's maximum state credit is 5.1% in 2011, for a net tax of 0.9% (.009) because they are credit reduction states. **The 2012 credit reduction information is not available at this time.**

Pennsylvania Unemployment

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 remains at 0.65% (.0065). In 2011, the additional employer interest factor tax was 0.44% (.0044). The percentage of employee wages required to be withheld as unemployment compensation tax remains at 0.08% (.0008). This 0.08% tax does not have a wage limit.

The Pennsylvania Department of Labor has not released the 2012 employer surcharge rates as of the date of the Payroll Tax Highlights.

Prior to Act 6, a credit week was any week in which an employee earned at least \$50. Beginning with the fourth quarter of 2011, this limit was increased to \$100.

401(k) Limits

The maximum employee contributions has increased from \$16,500 to \$17,000 for 2012. Please note that this contribution is limited to the lesser of \$17,000 or the percentage of wages specified in your 401(k) Plan document. The maximum employee contributions for employees age 50 or older is \$22,500 for 2012. The contribution is limited to the lesser of \$22,500 or the percentage of wages specified in your 401(k) Plan document.

Who to contact

If you have any questions please contact:

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New Jersey Unemployment

The maximum taxable wages for New Jersey Unemployment and Disability will increase to \$30,300 per employee. The withholding rate will decrease to 0.7050% (.00705). The employee percentage for January 1, 2012 to December 31, 2012 is divided as follows:

0.3825%	Unemployment
0.0425%	Workforce Development
0.2000%	Disability
<u>0.0800%</u>	Family Leave Insurance
<u>0.7050%</u>	

Quickbooks

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

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

SCHEDULE 1

FEDERAL PERSONAL INCOME TAX RATES FOR 2012

Taxable Income	Tax Bracket
Over	Over

Single Individuals

\$ -0 -	\$ 8,700	10% of the taxable income
8,700 -	35,350	\$870.00 plus 15% of the excess over \$8,700
35,350 -	85,650	\$4,867.50 plus 25% of the excess over \$35,350
85,650 -	178,650	\$17,442.50 plus 28% of the excess over \$85,650
178,650 -	388,350	\$43,482.50 plus 33% of the excess over \$178,650
388,350 -	Over	\$112,683.50 plus 35% of the excess over \$388,350

Standard Deduction \$5,950

There is no phase-out of personal exemptions for 2012

Married Filing Jointly and Surviving Spouses

\$ -0 -	\$ 17,400	10% of the taxable income
17,400 -	70,700	\$1,740.00 plus 15% of the excess over \$17,400
70,700 -	142,700	\$9,735.00 plus 25% of the excess over \$70,700
142,700 -	217,450	\$27,735.00 plus 28% of the excess over \$142,700
217,450 -	388,350	\$48,665.00 plus 33% of the excess over \$217,450
388,350 -	Over	\$105,062.00 plus 35% of the excess over \$388,350

Standard Deduction \$11,900

There is no phase-out of personal exemptions for 2012

Married Filing Separately

\$ -0 -	\$ 8,700	10% of the taxable income
8,700 -	35,350	\$870.00 plus 15% of the excess over \$8,700
35,350 -	71,350	\$4,867.50 plus 25% of the excess over \$35,350
71,350 -	108,725	\$13,867.50 plus 28% of the excess over \$71,350
108,725 -	194,175	\$24,332.50 plus 33% of the excess over \$108,725
194,175 -	Over	\$52,531.00 plus 35% of the excess over \$194,175

Standard Deduction \$5,950

There is no phase-out of personal exemptions for 2012

Head of Household

\$ -0 -	\$ 12,400	10% of the taxable income
12,400 -	47,350	\$1,240.00 plus 15% of the excess over \$12,400
47,350 -	122,300	\$6,482.50 plus 25% of the excess over \$47,350
122,300 -	198,050	\$25,220.00 plus 28% of the excess over \$122,300
198,050 -	388,350	\$46,430.00 plus 33% of the excess over \$198,050
388,350 -	Over	\$109,229.00 plus 35% of the excess over \$388,350

Standard Deduction \$8,700

There is no phase-out of personal exemptions for 2012

*See IRS Notice 1036 or Circular E (Publication 15 and 15-A) for withholding amounts that should be made through payroll.

SCHEDULE 2

NEW JERSEY INCOME TAX RATES FOR 2012

Please note that these rates are New Jersey Income Tax Rates, not Withholding Tax Rates.

FOR MARRIED PEOPLE FILING JOINTLY, MARRIED/CU PARTNERS 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, MARRIED/CU PARTNER FILING SEPARATE RETURN 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