

2010 Payroll Taxes

The maximum wages subject to FICA (Social Security) will remain at \$106,800. All wages (without limitation) are subject to FICA (Medicare). Be sure to begin FICA withholding again for wages **paid in 2010** even if the wages were earned in 2009.

The State Disability Insurance withholding rate remains at 1.1% with the wage ceiling increasing to \$93,316.

Employer information and employee withholding may be obtained by referring to:

IRS Publication 15 – Circular E, Employer’s Tax Guide-2010 or on the web at www.irs.gov
California 2010 Employer’s Guide or on the web at www.edd.ca.gov

The comparison below shows the changes in payroll taxes.

	<u>2009</u>	<u>2010</u>
FICA-Social Security Tax:		
Rate - employee withheld	6.20%	6.20%
Rate - employer contribution	6.20%	6.20%
On wages up to	\$106,800.00	\$106,800.00
Maximum tax-employee withheld	6,621.60	6,621.60
Maximum tax-employer portion	6,621.60	6,621.60
FICA-Medicare Tax:		
Rate - employee withheld	1.45%	1.45%
Rate - employer contribution	1.45%	1.45%
On wages up to	ALL EARNINGS	ALL EARNINGS
Maximum tax - employee withheld	SUBJECT TO	SUBJECT TO
Maximum tax - employer portion	TAX	TAX
FUTA-Federal Unemployment Tax:		
Rate (net of state credit)	.80%	.80%
On wages up to	\$7,000.00	\$7,000.00
Maximum tax - with credit	56.00	56.00
SDI-State Disability Insurance:		
Rate	1.1%	1.1%
On wages up to	\$90,669.00	\$93,316.00
Maximum tax-employee withheld	997.36	1,026.48
SUI-State Unemployment Insurance:		
Rate-Based on UI reserve account	1.5% - 6.2%	1.5% - 6.2%
On wages up to	\$7,000.00	\$7,000.00
Rate-For new employers up to 3 years	3.4%	3.4%

Federal Payroll Tax Deposit Rules

You should continue to deposit as previously classified as **monthly** or a **semiweekly** depositor.

1. **MONTHLY** - Deposit by the 15th day of the following month.
2. **SEMIWEEKLY**

<u>Payment Days/Deposit Period</u>	<u>Deposit By</u>
Wednesday, Thursday and/or Friday	Following Wednesday
Saturday, Sunday, Monday and/or Tuesday	Following Friday

Semiweekly depositors are allowed at least **3 banking days** to make a deposit. For example, if salaries were paid on Friday and there is a holiday on Monday -- the payroll tax deposit will be due on Thursday (rather than Wednesday). If deposits to a bank are mailed, they should be mailed at least two days prior to the due date to insure receipt by the bank on or before the due date.

If your tax liability for the return period is less than \$2,500, you are not required to make deposits. You may pay the taxes with your quarterly return. This is only available to monthly depositors.

Electronic Funds Deposit Transfer Payment System Requirements (EFTPS)

The federal threshold for determining whether you must use EFTPS is **\$200,000** or if you were required to use EFTPS in 2009 or any prior year. Participation in EFTPS is voluntary if your deposits do not exceed the \$200,000 threshold.

You will be required by California to make electronic funds transfers (EFT) if the **average** deposit is **\$20,000** in the lookback period of 7/1/08 – 6/30/09.

California Payroll Tax Deposit Rules

Deposits are required to the California Employment Development Department if Personal Income Tax withholding amounts are **more than \$400**.

Payment of State Unemployment Insurance (UI), and Employee Training Tax (ETT) is required quarterly using coupon Form DE 88.

Use the latest preprinted version of **Form DE 88** to deposit Disability Insurance (SDI) and Personal Income Tax (PIT), Unemployment Insurance (UI) and Employment Training Tax (ETT).

Reminder to California Employers

You are required to report all new hires to the Employment Development Department within 20 days on Form DE 34 or via the web. Forms are available at <https://eddservices.edd.ca.gov/index.html> or call (888)745-3886.

You are also required to report certain independent contractors you use in your business within 20 days of the contract or making payments of \$600 or more on Form DE 542. Information and forms available at <https://eddservices.edd.ca.gov/index.html> or call (888)745-3886.

This reporting also applies to individuals who have Schedule C or Schedule F businesses, own rental property and use independent contractors to do repairs, landscaping, make improvements or provide other services. This information will also be used to enforce child support obligations.

Information Return Time is Here Again

Form 1099-MISC - Statement for Recipients of Miscellaneous Income should be provided for each Individual or Partnership (but not Corporations) to whom you have paid at least \$600 in payments for services or rents, and at least \$10 in royalties. In addition, payments made to an Attorney of \$600 or more must be reported on Form 1099 regardless of the Law Firms' Corporate status. The exemption from reporting payments made to Corporations no longer applies to payments for legal services.

Payments for services include fees, commissions or services rendered for your business by an individual who is not your employee. **Alert - The IRS and FTB have been assessing penalties for failure to timely file information returns.**

Due Dates

January 31, 2010

- Form 941 – Federal Employer’s Quarterly Tax return
- Form DE 6 – EDD California Quarterly Wage Report
- Form DE 7 - Annual Reconciliation Return
- Form 940 or 940-EZ - Annual Federal Unemployment Insurance Tax Return
- Form W-2s should be provided to employees
- Form 1099s should be provided to recipients

February 28, 2010

-- 2010-2011 San Francisco Business Registration & 2009 Payroll Expense Tax Statement is due

- The small business exemption remains at \$250,000.
 - Companies with less than \$166,667 of SF Payroll will be exempt from the tax but are still required to file an annual statement if San Francisco payroll expense is \$66,666.34 or more.
 - Payments to owners of partnerships for services in San Francisco are subject to the Payroll Expense Tax if the payment is made without regard to the income of the partnership and the payment is treated as an income tax deduction for the partnership.
- Form W-3 - Transmittal of Forms W-2 to the Social Security Administration.

If you need assistance in meeting these filing requirements, please call us. For Form 1099-MISC to be issued to DZH Phillips LLP, **our federal identification number is 26-4677183.**