



# O'MALLEY & O'MALLEY, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
CERTIFIED FINANCIAL PLANNER™  
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Solutions For Businesses & Individuals

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## 2010 PAYROLL TAX RATES AND OTHER INFORMATION (Effective 1/1/2010)

### WITHHOLDING TAX RATES (EMPLOYEES' DEDUCTIONS)

Federal Income Tax (FWT)	Circular E - Employer's Tax Guide Publication 15 Revised January 2010
Social Security Tax (FICA) <b>NO CHANGE in 2010</b>	6.2% (.062) Maximum Wages \$ 106,800.00 Maximum Tax \$ 6,621.60
Medicare Tax <b>NO CHANGE in 2010</b>	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC)	.925% (.00925) Maximum Wages \$ 29,700.00 Maximum Tax \$ 274.73
NJ Family Leave Insurance (FLI) <b>NEW TAX RATE</b>	.12% (.0012) Maximum Wages \$ 29,700.00 Maximum Tax \$ 35.65
NJ Gross Income Tax (NJGIT)	Refer to NJ - Gross Income Tax booklet <b>WITHHOLDING RATE TABLES</b> and optional NJ W-4 are in booklet. Select the proper table for each employee.
PA Unemployment Compensation (PUC) <b>NEW TAX RATE</b>	.08% (.0008) X total gross wages Maximum Wages - Unlimited Maximum Tax - Unlimited
PA Withheld Income Tax (PA W/H)	3.07% (.0307) X gross wages
City of Phila. Wage Tax (CWT) <b>NEW LOWER TAX RATE</b>	Residents 3.9296% (.039296) of gross pay Non-resident 3.4997% (.034997) of gross pay

### EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATES - W-4

This form must be updated yearly. Photocopies can be made of this form.

### NEW HIRE REPORTING - mandatory in all states

New hires **must** be reported to State within 20 days

### EMPLOYER'S TAXES & UNEMPLOYMENT COMPENSATION (EMPLOYER'S EXPENSES)

Social Security (FICA) <b>NO CHANGE in 2010</b>	6.2% (.062) Maximum Wages \$106,800.00 Maximum Tax \$ 6,621.60
Medicare Tax <b>NO CHANGE in 2010</b>	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC)	Rate varies with employer Maximum wages \$ 29,700.00
PA Unemployment Compensation (PUC)	Rate varies with employer - Rate will include surcharge of 5.8% + .65% Maximum wages \$ 8,000.00
Federal Unemployment Tax (FUTA)	Min. rate .8% (.008) Max. rate 6.2% (.062) Credit of up to 5.4% allowed if state returns are timely filed and paid. Maximum wages \$7,000.00 Min. tax \$56.00/Max tax \$434.00

**REMEMBER: PAY TAXES AND FILE RETURNS ON OR BEFORE THE DUE DATE**

**SOME RATES MAY CHANGE DURING THE YEAR - WE WILL SEND UPDATES**

**SEE ENCLOSED CLIENT ALERT - YEAR-END REMINDER**

**FEDERAL TAX DEPOSIT COUPON BOOK**

Existing Tax Deposit Coupon Books should be used in 2010, but only if not required to file using EFTPS. New Federal Tax Deposit Coupon Books are now sent automatically. Upon receipt, check ID #.

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**WEEKLY/MONTHLY TAX DEPOSITS - WATCH FOR IRS LETTER FOR YOUR FILING REQUIREMENT!**

An annual federal tax liability exceeding \$200,000 requires use of the Electronic Federal Tax Payment System (EFTPS). The New Jersey threshold is \$20,000 and became effective 7/1/96. Once affected by EFTPS, **ALL** taxes must be paid by electronic funds transfer. Federal taxes are calculated FWT + Employee FICA and Medicare + Employer FICA and Medicare and must be paid weekly or monthly depending on amount of tax due. Generally, the rules are, if you owed less than \$50,000 in payroll taxes in the prior year, you must remit taxes by the 15th day of the following month; more than \$50,000, within three days of the payroll date; over \$100,000, the next day.

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**INDEPENDENT CONTRACTORS vs. EMPLOYEE STATUS**

The only positive way to satisfy a Workman's Compensation auditor or payroll tax auditor that the individual involved is truly independent is to have in your possession a copy of their certificate of liability insurance and **in NJ, a Contractors License**. Without it you will be subject to all of the payroll taxes and Workman's Compensation Insurance that affect your employees. The Internal Revenue Service and the States are taking an aggressive stand on the independent contractor vs. employee issue, and they are sharing audit info. If you are audited by one taxing authority, you will hear from the other.

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**WORKMEN COMPENSATION INSURANCE**

Rate varies with type of industry, work, employer and insurance company. All employers must provide this coverage. Contact your business insurance agent.

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**MINIMUM WAGE** - for non-tip employees

**WATCH FOR FUTURE CHANGES IN THE MINIMUM WAGE**

<b>Federal</b>	\$7.25 on 7/24/09
NJ	\$7.25 on 7/24/09
PA	\$7.25 on 7/24/09
DE	\$7.25 on 7/24/09
MD	\$7.25 on 7/24/09

Daily time records must be maintained. Most payroll sheets provide for time records, but **time cards signed by the employees are generally required if an audit occurs**. It should be noted that most employees are considered hourly by the various government agencies, and, as such, are entitled to overtime, paid at time and a half for over 40 hours per week. There are exceptions for certain salary and/or job classifications.

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**WORKERS RECEIVING SOCIAL SECURITY BENEFITS**

Wage limitations to prevent adverse effects on benefits: **NO CHANGE in 2010**

Under 65 years of age	\$14,160
If becoming 65 in 2009	\$37,680 - with certain limitations
65 years of age & over	No limit

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**SELF-EMPLOYMENT TAXES - NO CHANGE in 2010**

Self-employed Social Security Tax	12.4% (.124)
	Maximum net earnings \$106,800.00
	Maximum tax \$ 13,243.20
Self-employed Medicare Tax	2.9% (.029)
	Maximum net earnings - unlimited
	Maximum tax - unlimited

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Self-employed persons can still deduct half their Social Security tax when figuring their income tax. They can also deduct health insurance, plus the allowed amount of long term care insurance.

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**THE STANDARD MILEAGE RATE FOR THE YEAR 2010 IS 50 CENTS**