



O'MALLEY & O'MALLEY, LLP

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3112 WOODHAVEN DRIVE • CINNAMINSON, NJ 08077
 omalleycpa@omalleycpa.com
 www.omalleycpa.com
 Phone (856) 829-9100 • Fax (856) 829-4422

2017 PAYROLL TAX RATES AND OTHER INFORMATION (Effective 1/1/2017)

WITHHOLDING TAX RATES (EMPLOYEES' DEDUCTIONS)

Federal Income Tax (FWT)	Circular E - Employer's Tax Guide Publication 15 Revised January 2017
Social Security Tax (FICA) CHANGE IN 2017	6.2% (.062) Maximum Wages \$ 127,200.00 Maximum Tax \$ 7,886.40
Medicare Tax NO CHANGE IN 2017	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC) CHANGE IN 2017	.0665% (.00665) Maximum Wages \$ 33,500.00 Maximum Tax \$ 222.78
NJ Family Leave Insurance (FLI) CHANGE IN 2017	.01000% (.00100) Maximum Wages \$ 33,500.00 Maximum Tax \$ 33.50
NJ Gross Income Tax (NJGIT)	Gross Income Tax WITHHOLDING RATE TABLES and a NJ W-4 are found at www.state.nj.us/treasury . Select the proper table for each employee.
PA Unemployment Compensation (PUC) NO CHANGE IN 2017	.007% (.0007) 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) WATCH FOR THIS TO CHANGE JULY 1, 2017	Residents 3.9004% (.039004) of gross pay Non-resident 3.4741% (.034741) of gross pay

EMPLOYEE'S WITHHOLDING ALLOWANCE CERTIFICATES - W-4

This form must be updated yearly. This form can be found and printed from www.IRS.gov

FORM I-9 - EMPLOYMENT ELIGIBILITY VERIFICATION FORM - NEW FORM - EFFECTIVE 1/22/17

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) CHANGE IN 2017	6.2% (.062) Maximum Wages \$127,200.00 Maximum Tax \$ 7,886.40
Medicare Tax NO CHANGE IN 2017	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC) CHANGE IN 2017	Rate varies with employer Maximum wages \$ 33,500.00
PA Unemployment Compensation (PUC) CHANGE IN 2017	Rate varies with employer - Rate will include surcharge of 5.1% + .65% Maximum wages \$ 9,750.00
Federal Unemployment Tax (FUTA) RATES MAY INCREASE DURING 2017 FOR STATES WITH A CREDIT REDUCTION	PA, NJ & DE - are minimum rate of .6% (.006) Rates vary by state based on their federal loan Min. rate .6% (.006) Max. rate 6.0% (.060) Credit of up to 5.4% allowed if state returns are timely filed and federal loans repaid. Maximum wages \$7,000.00 Minimum tax \$42.00/Maximum tax \$630.00

FEDERAL TAX DEPOSITS

FEDERAL TAXES MUST BE PAID USING EFTPS. Use the IRS.gov website to complete the on-line registration for EFTPS.

MANY STATES & LOCAL TAX DISTRICTS ALSO REQUIRE ELECTRONIC TAX FILING & TAX PAYMENT

WEEKLY/MONTHLY TAX DEPOSITS -

WATCH FOR IRS LETTER FOR YOUR FILING REQUIREMENT!

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 business days of the payroll date; over \$100,000, the next business day.

INDEPENDENT CONTRACTORS vs. EMPLOYEE STATUS - SEE ATTACHED CLIENT ALERT MEMO

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 Contractor's License. Without it you will be subject to all of the payroll taxes and Workmen's Compensation Insurance that affect your employees. The Internal Revenue Service and 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.

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.

MINIMUM WAGE - for non-tip employees

WATCH FOR CHANGES IN THE MINIMUM WAGE

Federal (regular) - \$7.25 currently	Federal (contract workers) - \$10.20 as of 1/1/17
NJ - \$8.44 as of 1/1/17	MD - \$8.75 as of 7/1/16 - \$9.25 on 7/1/17
PA - \$7.25 as of 1/1/17	NY - \$9.70/\$11.00 - varies by location - 12/31/16
	DE - \$8.25 as of 1/1/17

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.

WORKERS RECEIVING SOCIAL SECURITY BENEFITS

Wage limitations to prevent adverse effects on benefits:

Prior to full retirement age	\$16,920
Full retirement age in 2016	\$44,880 - with certain limitations
Years beyond full retirement age	No limit

SELF-EMPLOYMENT TAXES

Self-employed Social Security Tax	12.4% (.124)
CHANGE IN 2017	Maximum net earnings \$127,200.00
	Maximum tax \$ 15,772.80
Self-employed Medicare Tax	2.9% (.029)
NO CHANGE IN 2017	Maximum net earnings - unlimited
	Maximum tax - unlimited

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.

THE STANDARD MILEAGE RATE FOR THE YEAR 2017 IS \$.535 CENTS

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

CLIENT ALERT MEMO

In addition to the changes shown on the enclosed 2017 Payroll Tax Newsletter, please note the following very important changes and the equally important effective dates!

NEW JERSEY

Effective 1/1/17 – NEW JERSEY Sales & Use Tax reduced to **6.875%**

(NJ Sales & Use Tax will be reduced again as of 1/1/18 to 6.625%)

FEDERAL DUE DATES

NEW FOR 2017:

ALL 1099 - MISC'S (whether filed on paper or electronically)

MUST BE FILED WITH THE IRS ON OR BEFORE JANUARY 31, 2017.

(See information pertaining to 1099's on the reverse side)

ALL W-2'S (whether filed on paper or electronically)

MUST BE FILED WITH THE IRS ON OR BEFORE JANUARY 31, 2017.

If our office is preparing either 1099's or W-2's for you, we must receive the information no later than 1/16/17. All information must be complete before we can file these forms with the Internal Revenue, so make sure when you supply us with the dollar amounts, you give us **current, accurate ID numbers and addresses** as well, preferably a Form W-9 or Form W-4 completed by the recipient.

FORM 1099-MISC

Internal Revenue Service Form 1099-MISC is an information return used for furnishing financial information to both the Internal Revenue Service and taxpayer. They must be **given to recipients by January 31st each year and now must be filed with the Internal Revenue Service by January 31st also.**

All payments totaling \$600 or more, made in the course of your trade or business, and paid to an unincorporated business during a calendar year, must be reported on Form 1099-MISC. **Please Note: All LLP's are unincorporated; most LLC's are unincorporated; however, some are corporations, check with the business owner to verify the type of entity.** Non-business payments (i.e. to a contractor, plumber, electrician, etc. by homeowners) are not reportable. The best way to gather the information required for this form is to have the recipient complete a Form W-9 (available @ www.IRS.gov) at the time you make the first payment to them, no payment until a completed W-9 is furnished to you.

The Form 1099-MISC has multiple boxes to report various types of income, however, the ones most frequently used are Box 1 – Rents, and Box 7 – Non-Employee Compensation. Some examples of the types of payments to be reported on Form 1099-MISC are:

- Rents – Box 1
- Services performed by someone who is **not** your employee – Box 7
This includes owners of rental properties that make payments for property repairs, etc.
- Accounting and tax preparation fees – Box 7
- Legal fees – Box 7 or Box 14 (**in the case of legal fees, even corporations must be given a 1099-MISC**)
- Prizes and awards – Box 3 or Box 7

The Internal Revenue Service is actively enforcing the rules regarding the filing of Form 1099-MISC and they now have the ability to cross-match the Form 1099-MISC with a tax return to verify that all income is being reported. Penalties are being assessed for unfiled, incomplete (missing ID Number) and incorrect returns and can be as high as \$100 per form. Incorrect and incomplete forms are considered as unfiled until they are corrected/completed. If the Internal Revenue feels there is intentional disregard of the rules the penalty goes up to \$250 per form.

The most current rules pertaining to Form 1099-MISC can be found at the Internal Revenue Service website www.irs.gov – go to Forms and Publications – 2016 Instructions for Form 1099 – MISC.

If you have questions or need help with Form 1099-MISC, please call our office at 856-829-9100.