



# O'MALLEY & O'MALLEY, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
CERTIFIED FINANCIAL PLANNER™  
A Family Business Since 1945  
Licensed NJ & PA • Members AICPA & AAA-CPA  
Solutions For Businesses & Individuals

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## 2014 PAYROLL TAX RATES AND OTHER INFORMATION (Effective 1/1/2014)

### WITHHOLDING TAX RATES (EMPLOYEES' DEDUCTIONS)

Federal Income Tax (FWT) <b>SEE TAX ALERT MEMO</b>	Circular E - Employer's Tax Guide Publication 15 Revised January 2013
Social Security Tax (FICA) <b>CHANGE IN 2014</b>	6.2% (.062) Maximum Wages \$ 117,000.00 Maximum Tax \$ 7,254.00
Medicare Tax <b>NO CHANGE IN 2014 - Under \$200,000</b> <b>SEE TAX ALERT MEMO - Over \$200,000</b>	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC) <b>CHANGE IN 2014</b>	.0805% (.00805) Maximum Wages \$ 31,500.00 Maximum Tax \$ 253.57
NJ Family Leave Insurance (FLI) <b>CHANGE IN 2014</b>	.010% (.0010) Maximum Wages \$ 31,500.00 Maximum Tax \$ 31.50
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>NO CHANGE IN 2014</b>	.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) <b>WATCH FOR THIS TO CHANGE JULY 1, 2014</b>	Residents 3.924% (.03924) of gross pay Non-resident 3.495% (.03495) 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>CHANGE IN 2014</b>	6.2% (.062) Maximum Wages \$117,000.00 Maximum Tax \$ 7,254.00
Medicare Tax <b>NO CHANGE IN 2014</b>	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC)	Rate varies with employer Maximum wages \$ 31,500.00
PA Unemployment Compensation (PUC)	Rate varies with employer - Rate will include surcharge of 5.1% + .65% Maximum wages \$ 8,750.00
Federal Unemployment Tax (FUTA)	NY rate is 1.5% due to credit reduction DE rate is 1.2% due to credit reduction PA & NJ are at the 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

**RATES MAY INCREASE DURING 2014  
FOR STATES WITH A CREDIT REDUCTION**



**FEDERAL TAX DEPOSIT COUPON BOOK**

Existing Tax Deposit Coupon Books **can not** be used in 2014. Everyone is now required to pay taxes 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 15<sup>th</sup> 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**

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.

**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 FUTURE CHANGES IN THE MINIMUM WAGE**

<b>Federal</b>	\$7.25 currently	MD	\$7.25 currently
NJ	\$8.25 as of 1/1/14	NY	\$8.00 as of 12/31/13
PA	\$7.25 currently	DE	\$7.25 currently

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	\$15,480
Full retirement age in 2013	\$41,400 - with certain limitations
Years beyond full retirement age	No limit

**SELF-EMPLOYMENT TAXES**

Self-employed Social Security Tax	12.4% (.124)
<b>CHANGE IN 2014</b>	Maximum net earnings \$117,000.00
	Maximum tax \$ 14,508.00
Self-employed Medicare Tax	2.9% (.029)
<b>NO CHANGE IN 2014 - Under \$200,000</b>	Maximum net earnings - unlimited
<b>SEE TAX ALERT MEMO - Over \$200,000</b>	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 2014 IS 56 CENTS**

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

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# TAX ALERT MEMO

## TAX CHANGES AFFECTING 2014 PAYROLLS:

### FICA (SOCIAL SECURITY) – EMPLOYEES:

The employee FICA (Social Security) tax rate is **6.2% (.062)** for 2014 wages up to the taxable wage limit of \$117,000.

### FICA (SOCIAL SECURITY) – EMPLOYERS:

The employer FICA (Social Security) tax rate is unchanged and remains at 6.2% for 2014 wages up to the taxable limit of \$117,000.

### FICA (SOCIAL SECURITY) – SELF-EMPLOYED:

The FICA (Social Security) tax rate for self-employed taxpayers is **12.4% (.124)** for 2014 net earnings up to the taxable limit of \$117,000.

### ADDITIONAL MEDICARE TAX FOR EARNINGS OVER \$200,000

Employers must withhold the new Additional Medicare Tax of **.9% (.009)** from all workers, regardless of filing status, **on wages exceeding \$200,000**. Thus, the Medicare tax rate on earnings over \$200,000 will increase to 2.35%. The Medicare tax rate for employers remains at 1.45%. There is no taxable wage limit for Medicare taxes.

Self-employed taxpayers are also subject to the new Additional Medicare Tax on net earnings over \$200,000.

### INCOME TAX WITHHOLDING

The current 2013 withholding rates will remain in effect for earnings of Single-\$400,000 – Married/joint-\$450,000.

Earnings above Single-\$400,000 – Married/joint-\$450,000 will be taxed at 39.6%.

