

2016 PAYROLL TAX ALERT

This year, there are several payroll tax changes that affect all employers. The **Alloy Silverstein Group** strives to provide the information you need to run your business successfully.

EFFECTIVE JANUARY 1, 2016:

Social Security/Medicare

The wage base remains at **\$118,500** for Social Security and remains UNLIMITED for Medicare. For Social Security, the tax rate is **6.20%** for both employers and employees. (Maximum Social Security tax withheld from wages is **\$7,347.00** in 2016). For Medicare, the rate remains unchanged at **1.45%** for both employers and employees.

Additional Medicare Tax

A **0.9%** additional Medicare tax must be withheld from an individual's wages paid in excess of \$200,000 in a calendar year. There is no employer match for the additional Medicare tax.

Federal Unemployment Tax

The wage base remains at **\$7,000**. The effective tax rate for 2016 is **0.6%**.

Minimum Wage

The effective rates per hour for 2016 are:

Federal	\$7.25	effective 7/24/09
New Jersey	\$8.38	effective 1/01/15
Pennsylvania	\$7.25	effective 7/24/09

New Jersey Gross Income Tax

The withholding tax rates for 2016 reflect graduated rates from **1.4%** to **8.97%**. The 8.97% tax rate applies to individuals with gross income over \$500,000.

New Jersey Unemployment Tax

The wage base increases to **\$32,600** for 2016. The employee withholding rate will decrease to **0.705%**. The maximum unemployment tax withheld from wages will be **\$229.83** (SUI- \$164.63, SDI \$65.20). The base week for 2016 will increase to **\$168.00**.

January 1 through December 31, 2016	Employee % Breakdown
Unemployment Insurance	0.3825%
Disability Insurance	0.2000%
Family Leave Insurance	0.0800%
Workforce Development	0.0425%
Total	0.705%

Pennsylvania Income Tax

The withholding rate for 2016 remains at **3.07%**

Pennsylvania Unemployment Tax

The employee rate for 2016 is **0.07%**. Wages subject to unemployment contributions for employees are unlimited. Wages subject to unemployment contributions for employers increase to **\$9,500**.

City of Philadelphia Wage Tax

Effective July 1, 2015 tax rates are **3.9102%** for Philadelphia residents and **3.4828%** for nonresidents. These rates are adjusted by the City of Philadelphia on July 1 of each year.

Pennsylvania Local Tax

Act 32 is a law that reformed and standardized the local earned income tax system, which requires uniform withholding of earned income taxes and remittance to a single local collector or Tax Officer. For more information, see www.newpa.com then click on the Act 32 option on the left side.

Earnings Under Social Security

A social security beneficiary under full retirement age can earn **\$15,720** before benefits are reduced. For every \$2 a person under full retirement age earns over \$15,720, \$1 is withheld from benefits. In the year an employee reaches full retirement age, \$1 in benefits will be withheld for each \$3 they earn above \$41,880 until the month the employee reaches full retirement age. Once an employee reaches full retirement age or older, their benefits are not reduced regardless of how much they earn.

401(K) Plan Limits

The maximum employee pretax contribution remains at **\$18,000** in 2016. The "catch-up" contribution limit remains at **\$6,000** in 2016 for individuals who are age 50 or older.

SIMPLE Plan Limits

The maximum salary deferral contribution remains at **\$12,500** in 2016. The "catch-up" contribution limit remains at **\$3,000** in 2016 for individuals who are age 50 or older.



COMPLIMENTARY PAYCHECK CALCULATORS AVAILABLE AT WWW.ABACUSPAY.COM/CALCULATORS

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Electronic Federal Tax Payment System (EFTPS)

Employers must pay their Federal Tax Liabilities through the Electronic Federal Tax Payment System unless they pay less than \$2,500 in quarterly payroll tax liabilities and pay their liability when filing their employment tax returns (Forms 941 and 944).

New Jersey Electronic Funds Transfer Program (EFT)

New Jersey taxpayers with a prior year tax liability of \$10,000 or more are required to make tax payments by EFT. Once the taxpayer is required to make EFT deposits applying the threshold, all future payroll and business tax deposits must be made through EFT, regardless if the threshold is met each year after. Business taxpayers required to use EFT, but failing to do so, may be subject to severe penalties.

Please contact us if you have any questions or need assistance in completing the Business Enrollment Applications, which can be obtained online or by calling 1-800-555-4477 (Federal) or 609-984-9830 (New Jersey).

Forms W-4, I-9, and W-9

All new employees are required to file Forms W-4 and I-9 which are to be kept on file by the employer. A new Form W-4 should be obtained when an employee's filing status or exemption changes.

Be sure to request and keep on file a completed Form W-9 from all non-corporate taxpayers to whom your company pays commissions, interest, rents, etc., totaling \$600 or more, and also payments made to incorporated entities such as attorneys for legal services and providers of medical and health care services.

Filing of Form W-2 and 1099

Social Security has eliminated the use of magnetic tapes, cartridges and diskettes as a means for filing W-2 reports to SSA. Reports containing 250 or more W-2's **must be** filed electronically via the Social Security's Business Services Online (BSO). Visit socialsecurity.gov/employer for more information about using BSO.

Employers filing **250 or more** Form 1099s with the IRS also must file electronically. Form 1099 **must provide** payer telephone number or will be subject to penalties.

Health Benefits W-2 Reporting

Employers are required to include the aggregate cost of employer sponsored health benefits on the 2015 W-2's in Box 12 with code DD. It is for informational purposes only and will not be included in taxable income. Please contact us regarding the specific types of health benefits to be recorded.

Small employers who file **fewer than 250** Forms W-2 are exempt.

Household Employment - Domestic Workers

Household employers are required to withhold and pay FICA for domestic workers (age 18 and older) if paid cash wages of **\$2,000** or more in 2016. The **\$1,000** per calendar quarter threshold continues to apply for FUTA. These taxes are reported on Schedule H of the employer's personal tax return (Form 1040), but must be remitted through withholding or estimated payments during the year.

For PA and NJ, unemployment coverage applies for domestic service in an employer's private home for cash wages of \$1,000 or more in a calendar quarter in the current or preceding calendar year.

New Hire Reporting Requirements

All employers in New Jersey and Pennsylvania are required to report basic information about employees who are newly hired, rehired and returning to work after separation of employment or leave of absence, temporary employees, and contracted entities. Employers must report this information within 20 days via the internet at www.nj-newhire.com and www.cwds.pa.gov. Failure to report a new employee could result in a fine up to \$25 per violation. New employers should receive instruction booklets upon registration with the state. Basic employee information which **must** be provided:

- 1) Employee's name
- 2) Employee's address
- 3) Employee's social security number
- 4) Employee's date of hire and birth
- 5) Employer's name and address
- 6) Employers federal identification number

Abacus Payroll's Online Paycheck Calculators

Access our complimentary calculators at www.abacuspay.com/calculators.

Paycheck Tax Calculator

Calculates net pay based on gross salary and displays taxes, withholdings, and deductions.

Hourly Paycheck Calculator

Calculates net pay using different pay frequencies.

W-4 Assistant

Helps complete W-4 tax forms correctly.

Gross Pay Calculator

Calculates gross salary before taxes and deductions.

Tip Tax Calculator

Inputs hourly rate and tips earned and calculates net pay.

401(k) Planner

Helps track retirement savings and your plan's future value.



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2016 WAGE TAX RATE SUMMARY

Federal	2016 Current Year	2015 Prior Year
FICA/OASDI		
Employee Rate	6.2 %	6.2 %
Maximum Liability – <i>Employee</i>	\$ 7,347.00	\$ 7,347.00
Employer Rate	6.2 %	6.2 %
Maximum Liability – <i>Employer</i>	\$ 7,347.00	\$ 7,347.00
Wage Limit	\$ 118,500.00	\$ 118,500.00
MEDICARE		
Employee and Employer Rate	1.45 %	1.45 %
Maximum Deduction/Liability (each)	No limit	No limit
Wage Limit	No limit	No limit
Add'l Employee rate on wages exceeding \$200,000	0.9 %	0.9 %
FUTA		
Employer Rate	0.6 %	0.6 %
Wage Limit	\$ 7,000.00	\$ 7,000.00
SOCIAL SECURITY BENEFITS		
<i>Earned income may be received without forfeiting benefits:</i>		
Under Full Retirement Age	\$ 15,720.00	\$ 15,720.00
After Full Retirement Age	No limit	No limit
New Jersey	2016 Current Year	2015 Prior Year
WAGES		
Minimum Wage	\$ 8.38	\$ 8.38
UNEMPLOYMENT & WORKFORCE DEVELOPMENT		
Maximum Taxable Earnings	\$ 32,600	\$ 32,000
Employee Deduction	0.425 %	0.425 %
DISABILITY		
Maximum Taxable Earnings	\$ 32,600	\$ 32,000
Employee Deduction	0.20 %	0.25 %
PAID FAMILY LEAVE INSURANCE		
Maximum Taxable Earnings	\$ 32,600	\$ 32,000
Employee Deduction	0.08%	0.09%
Employer Deduction	None	None
Pennsylvania	2016 Current Year	2015 Prior Year
WAGES		
Minimum Wage	\$ 7.25	\$ 7.25
UNEMPLOYMENT		
Maximum Taxable Earnings	\$ 9,500	\$ 9,000
Employee Deduction	0.07 %	0.07 %
City of Philadelphia	2016 Current Year	2015 Prior Year
CITY WAGE TAX		
Residents	3.9102 %	3.920 %
Non-Residents	3.4828 %	3.4915 %



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