

2019 PAYROLL TAX ALERT

Following are the important payroll tax changes that affect all employers for 2019.

The Alloy Silverstein Group strives to provide the information you need to run your business successfully.

EFFECTIVE JANUARY 1, 2019:

Social Security/Medicare

The wage base increases to **\$132,900** 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 **\$8,239.80** in 2019). 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.

New Jersey Unemployment Tax

The wage base increases to **\$34,400** for 2019. The employee withholding rate will decrease to **0.675%**. The maximum unemployment tax withheld from wages will be **\$232.20** (SUI- \$173.72, SDI \$58.48). The base week for 2019 will increase to **\$172**.

| January 1 through December 31, 2019 | Employee % Breakdown |
|--|-------------------------|
| Unemployment Insurance | 0.3825% |
| Disability Insurance | 0.1700% |
| Family Leave Insurance | 0.0800% |
| Workforce Development | 0.0425% |
| Total | 0.675% |

New Jersey Gross Income Tax

The withholding tax rates for 2019 reflect graduated rates from **1.5%** to **11.8%**. The 11.8% tax rate applies to individuals with taxable income over \$5,000,000.

Pennsylvania Income Tax

The withholding rate for 2019 remains at **3.07%**.

Pennsylvania Unemployment Tax

The employee rate for 2019 remains at **0.06%**. Wages subject to unemployment contributions for employees are unlimited. Wages subject to unemployment contributions for employers remains at \$10,000.

Pennsylvania Local Tax

Act 32 is a law that reformed and standardized the local earned income tax (EIT) system, which requires uniform withholding of earned income taxes and local services tax with remittance to a single local collector or Tax Officer. For details visit www.dced.pa.gov.

City of Philadelphia Wage Tax

Effective July 1, 2018 tax rates are **3.8809%** for Philadelphia residents and **3.4567%** for nonresidents. These rates are adjusted by the City of Philadelphia on July 1 of each year.

Federal Unemployment Tax

The wage base remains at **\$7,000**. The effective tax rate for 2019 is **0.6%**.

Minimum Wage

The effective rates per hour for 2019 are:

| | | |
|--------------|----------------|-------------------|
| Federal | \$7.25 | effective 7/24/09 |
| New Jersey | \$8.85 | effective 1/1/19 |
| New Jersey | \$10.00 | effective 7/1/19 |
| Pennsylvania | \$7.25 | effective 7/24/09 |

401(K) Plan Limits

The maximum employee pretax contribution increases to **\$19,000** in 2019. The "catch-up" contribution limit remains at **\$6,000** for individuals who are age 50 or older.

SIMPLE Plan Limits

The maximum salary deferral contribution increases to **\$13,000** in 2019. The "catch-up" contribution remains at **\$3,000** for individuals who are age 50 or older.

Earnings under Social Security

A social security beneficiary under full retirement age can earn **\$17,640** before benefits are reduced. For every \$2 a person under full retirement age earns over \$17,640, \$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 \$46,920 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.

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

(continued on next page)



Alloy Silverstein

900 N. Kings Highway
Cherry Hill, NJ 08034
AlloySilverstein.com · 856.667.4100

Abacus Payroll Inc.

165 N. White Horse Pike
Hammononton, NJ 08037
AbacusPay.com · 609.561.1555

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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 certain incorporated entities such as attorneys for legal services and providers of medical and health care services.

Filing of Form W-2 and 1099

Reports containing 250 or more W-2s must be filed electronically via the Social Security's Business Services Online (BSO). Visit <http://socialsecurity.gov/employer> for more information about using BSO.

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

W-2 and 1099 Filing Deadline for Employers

The due date for filing 2018 Form W-2 with the Social Security Administration is January 31, 2019. This also applies to Form 1099-MISC reporting for non-employee compensation such as payments to independent contractors.

Health Benefits W-2 Reporting

Employers are required to include the aggregate cost of employer sponsored health benefits on the 2018 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 W-2 Forms are exempt.

New 2018 PA 1099-MISC Withholding Tax

Effective 2018 there is a new withholding requirement for payors of Pennsylvania-source non-employee compensation and business income to non-resident individuals. In addition, lessees of Pennsylvania real estate making "lease payments" to non-resident lessors in the course of a trade or business are required to withhold personal income tax on payments of \$5,000 or more annually. The 1099-MISC forms will need to be filed with the Pennsylvania Department of Revenue in January 2019 with boxes 16 and 17 completed, along with the Annual Withholding Statement (PA Form Rev-1667). Details can be found at <http://revenue.pa.gov>.

New Jersey Paid Sick Leave

New Jersey's earned sick leave affects almost every NJ employer. Law states for every 30 hours worked, 1 hour of sick time is earned up to a maximum of 40 hours per year effective October 29, 2018. Please contact us for the specifics regarding this new law.

New Jersey Electronic Funds Transfer (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, and failing to do so, may be subject to severe penalties. Contact us if you have questions or need assistance completing the Business Enrollment Applications, which can be obtained online or by calling 1-800-555-3453 (Federal) or 609-292-9292 (NJ).

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).

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 \$2,100 or more in 2019. 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 the states of 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 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. For further information, contact us or call the State of NJ at 1-877-654-4737 or PA at 1-888-PA-HIRES.



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2019 WAGE TAX RATE SUMMARY

| Federal | 2019 Current Year | 2018 Prior Year |
|---|---------------------------------|-----------------|
| FICA | | |
| Employee Rate | 6.20% | 6.20% |
| Maximum Liability - Employee | \$ 8,239.80 | \$ 7,960.80 |
| Employer Rate | 6.20% | 6.20% |
| Maximum Liability - Employer | \$ 8,239.80 | \$ 7,960.80 |
| Wage Limit | \$ 132,900.00 | \$ 128,400.00 |
| 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 | 0.90% | 0.90% |
| FUTA | | |
| Employer Rate | 0.60% | 0.60% |
| 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 | \$ 17,640.00 | \$ 17,040.00 |
| After Full Retirement Age | No Limit | No Limit |
| New Jersey | 2019 Current Year | 2018 Prior Year |
| WAGES | | |
| Minimum Wage | \$8.85 (Jan 1) \$10.00 (July 1) | \$ 8.60 |
| UNEMPLOYMENT & WORKFORCE DEVELOPMENT | | |
| Maximum Taxable Earnings | \$ 34,400.00 | \$ 33,700.00 |
| Employee Deduction | 0.425% | 0.425% |
| DISABILITY | | |
| Maximum Taxable Earnings | \$ 34,400.00 | \$ 33,700.00 |
| Employee Deduction | 0.17% | 0.19% |
| PAID FAMILY LEAVE INSURANCE | | |
| Maximum Taxable Earnings | \$ 34,400.00 | \$ 33,700.00 |
| Employee Deduction ⁸ | 0.08% | 0.09% |
| Employer Deduction | None | None |
| Pennsylvania | 2019 Current Year | 2018 Prior Year |
| WAGES | | |
| Minimum Wage | \$ 7.25 | \$ 7.25 |
| UNEMPLOYMENT | | |
| Maximum Taxable Earnings | \$ 10,000.00 | \$ 10,000.00 |
| Employee Deduction | 0.06% | 0.06% |
| City of Philadelphia | 2019 Current Year | 2018 Prior Year |
| CITY WAGE TAX | | |
| Residents | 3.8809 % | 3.8907 % |
| Nonresidents | 3.4567 % | 3.4654 % |

