



O'MALLEY & O'MALLEY, LLP

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

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2011 PAYROLL TAX RATES AND OTHER INFORMATION (Effective 1/1/2011)

WITHHOLDING TAX RATES (EMPLOYEES' DEDUCTIONS)

Federal Income Tax (FWT)	Circular E - Employer's Tax Guide Publication 15 Revised January 2011
Social Security Tax (FICA) RATE CHANGE IN 2011	4.2% (.042) Maximum Wages \$ 106,800.00 Maximum Tax \$ 4,485.60
Medicare Tax NO CHANGE IN 2011	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC) CHANGE IN 2011	.925% (.00925) Maximum Wages \$ 29,600.00 Maximum Tax \$ 273.80
NJ Family Leave Insurance (FLI) NEW TAX RATE - (possible change 7/1/11)	.006% (.00060) Maximum Wages \$ 29,600.00 Maximum Tax \$ 17.76
NJ Gross Income Tax (NJGIT)	Refer to NJ - Gross Income Tax booklet WITHHOLDING RATE TABLES and optional NJ W-4 are in booklet. Select the proper table for each employee.
PA Unemployment Compensation (PUC) NO CHANGE IN 2011	.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) EXPECT THIS TO CHANGE DURING THE YEAR	Residents 3.928% (.03928) of gross pay Non-resident 3.4985% (.034985) 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) NO CHANGE IN 2011	6.2% (.062) Maximum Wages \$106,800.00 Maximum Tax \$ 6,621.60
Medicare Tax NO CHANGE IN 2011	1.45% (.0145) Maximum Wages - Unlimited Maximum Tax - Unlimited
NJ Unemployment Compensation (NJUC)	Rate varies with employer Maximum wages \$ 29,600.00
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 - WATCH FOR UPDATES

SEE ENCLOSED CLIENT ALERT - YEAR-END REMINDER

FEDERAL TAX DEPOSIT COUPON BOOK

Existing Tax Deposit Coupon Books **can not** be used in 2011. Beginning 1/1/11 everyone is required to pay taxes using EFTPS. Use the IRS.gov website to complete the on-line registration for EFTPS.

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

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

Federal	\$7.25 currently
NJ	\$7.25 currently
PA	\$7.25 currently
DE	\$7.25 currently
MD	\$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: **NO CHANGE in 2011**

Under 65 years of age	\$14,160
If becoming 65 in 2011	\$37,680 - with certain limitations
65 years of age & over	No limit

SELF-EMPLOYMENT TAXES

Self-employed Social Security Tax	10.4% (.104)
RATE CHANGE IN 2011	Maximum net earnings \$106,800.00
	Maximum tax \$11,107.20

Self-employed Medicare Tax	2.9% (.029)
NO CHANGE IN 2011	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 2011 IS 51 CENTS



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CLIENT ALERT – REMINDER

All tax deposits must now be made using the Internal Revenue EFTPS system. (Effective January 1, 2011, existing tax deposit coupon books can not be used.)

Don't forget important year-end reporting requirements for items affecting W-2's.

- Group term life insurance – over \$50,000. A calculated PS 58 amount must be included on employee's W-2
- Personal mileage – including commuting – in any **unlettered, company owned** vehicle driven by employees, both shareholders and non-shareholders, must be added to gross taxable income.
- Employer contributions to an HSA Plan.
- Taxable fringe benefits such as moving expenses, certain education expenses, etc.
- Third party sick pay.

FUTURE YEAR W-2'S

Effective January 1, 2011, employers will be required to accumulate the amount paid for employees' health insurance, for reporting purposes only, on 2011 year-end W-2's. This will affect W-2's with a due date of 1/31/2012.

2010 FORM 1099'S

Additionally, this is a reminder to get the information necessary, particularly ID #'s, to send Form 1099's to any independent contractors who have done work for you during 2010. Independent contractors include professionals such as lawyers, accountants, engineers, and architects as well as subcontractors. A Form 1099 is required to be sent to any unincorporated business to which you paid more than \$600. All attorneys must get a Form 1099 for any amount you paid them, even if they are incorporated.

NEW FUTURE YEAR 1099 REQUIREMENTS

Effective January 1, 2011, taxpayers with rental properties will be required to send a Form 1099 to everyone, including corporations, paid by cash or check (not credit card) that provides goods or services connected to and deducted by the rental property. This will affect Form 1099's with a due date of 1/31/2012.

Effective January 1, 2012, taxpayers with businesses (as well as the above referenced rental properties), will be required to send a Form 1099 to everyone, including corporations, paid by cash or check (not credit card) that provides goods or services connected to and deducted by their business. This will affect Form 1099's with a due date of 1/31/2013.

A Form W-9 is included with this CLIENT ALERT (copies may be made). Any taxpayer affected by the new 1099 rules should require their vendors to complete the W-9 before they issue the first payment. By getting this paperwork completed right away, the information will be available to complete the year-end 1099's.

If you need any help or additional information, please contact our office.