

## IMPORTANT

To: Clients and Associates  
From: J Pezzano & Associates, Inc.  
Date: January, 2012  
Subject: **Payroll Tax Highlights/Update Bulletin - 2012**

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Enclosed you will find our annual Payroll Tax Highlights/Update Bulletin for Tax Year 2012.

During this time of the year, you will start receiving several tax forms, coupon books, etc. from the various taxing jurisdictions. For those of you who use our payroll/tax services, it is **extremely** important that you, in turn, send them to our office for recording, etc. as soon as they are received.

If you have any questions, please contact our office.

This bulletin will also be available on our website under the "Payroll and HR Services" tab. Log on today! **[www.bmcpas.com](http://www.bmcpas.com)**

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# Payroll Tax Bulletin

## “2012”

**Subject: Tax Highlights/Updates in Payroll Withholding Schedules/Rates "2012"**

### Federal Withholding Tax

You may withhold federal income tax by using either the wage-bracket tables or the percentage method tables. These official methods and applicable withholding schedules are published by the Internal Revenue Service in the ANNUALLY revised Circular E, Employer's Tax Guide, Publication 15.

### Social Security (FICA Tax) - OASDI and Medicare

On Friday, December 23<sup>rd</sup>, Congress officially approved an additional two (2) month extension for the **DECREASE** in the employee portion of Social Security tax. The rate has been extended at **4.2% until February 29<sup>th</sup>, 2012**. The combined Social Security and Medicare **EMPLOYER** tax rate for 2012 is 7.65% -- 6.2% for social security (OASDI) and 1.45% for hospital insurance (Medicare). For 2012, the OASDI wage base **INCREASES** to \$110,100. The Medicare wage base remains limitless.

**The 2012 tax on self-employment income of \$400 or more is 15.3%. The OASDI wage base is \$110,100. The Medicare wage base on self-employed income also remains limitless.**

### Federal Unemployment Insurance Tax (FUTA)

The gross FUTA tax rate for 2012 remains 6.0% on the first \$7,000 of nonexempt wages paid to an employee. Since PA marked its second consecutive year with an outstanding loan balance to the federal government, the outstanding debt causes an automatic FUTA credit **LOSS** of .3%. Since PA will receive a 5.1% credit for state unemployment taxes paid, the net federal unemployment tax payable will be **INCREASED to 0.9%**, (\$63 per employee annually).

### Pennsylvania Personal Income Tax

The Personal Income Tax (PIT) withholding rate remains at 3.07%.

### Pennsylvania Unemployment Compensation Taxes

Employer pays tax on first \$8,000.00 with their applicable rate assigned by the state. The Employee rate that is to be withheld will **remain at .08%** with a wage base that is limitless.

*2012 Contribution Rate Notice Mailing Delay – the Department of Labor and Industry has announced that they will not be mailing out 2012 rate notices until mid March to late 1<sup>st</sup> quarter.*

### New Jersey State Unemployment Taxes

Effective January 1, 2012, the taxable wage base for employee tax and employer assigned tax rate has been **INCREASED** to \$30,300. The New Jersey employee contribution has also **DECREASED** from 0.985% to **0.705%**.

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**Local Income Taxes**

**ACT 32 is now here!** Please check our website for the *Employee residency certificate* that is required by law to be completed by all employees. You can also find a complete list of the Pennsylvania School District Codes on the website. The PSD code is required to be listed on the certification form.

**Philadelphia Wage Tax**

Philadelphia Residents tax rate remains at 3.928% of gross wages (no limit).  
Philadelphia Non-Resident tax rate also remains at 3.4985% of gross wages (no limit).

**LST (Local Services Tax)**

Most municipalities impose a Local Services Tax which can range from \$10.00 up to \$52.00 per year, per employee. For amounts over \$10.00, the tax is prorated over the total number of pay periods in the year. Please refer to your local tax municipality for further information if needed.

**New Hires Equal More Reporting**

Be reminded, you need to continue filing a report indicating all new employees that you hire. A specific agency in your state is responsible for knowing the full name, birth date and Social Security number. Submitting a copy of the W-4 for each new employee within 20 days of the hire date will satisfy the requirement. The government mandated this program to help in collecting delinquent child support payments. For further information, Pennsylvania employers can call 1-888-PAHIRES (724-4737).

**Standard (Business) Mileage Rate**

The Internal Revenue Service has announced that the standard business mileage rate, which may be used in lieu of deductions of actual auto expenses for business cars – whether they are owned or leased – will **INCREASE** to 55.5 cents per mile beginning January 1, 2012.

If you have any questions regarding these or any other taxes, please contact us.

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[www.bmpcpas.com](http://www.bmpcpas.com)