

# Martin A. Darocha, CPA

*Tax and accounting services for individuals and their businesses, estates and trusts.*

## IMPORTANT 2010 PAYROLL TAX TOOLKIT

Following is a brief summary of payroll tax information for 2010. If you have any questions about your payroll, please feel free to contact me.

### New Employees

You are required to obtain and/or report the following information for each new employee:

- Form W-4 provides instructions to you from your employee about how to withhold for federal income tax purposes. Retain this form in your files.
- Form I-9 is verification from your employee that they are a citizen of the US or they are eligible for employment here. Be sure to review the documents provided and retain this form in your files.
- Pennsylvania New Hire Registration is required to be filed within 20 days from being hired. It is used by the state to enforce child support payments that may be owed. You can register your employees by mail, fax or on line at [www.panewhires.com](http://www.panewhires.com).
- Earned Income Tax – Each earned income tax collector has their own rules.

**The beginning of the New Year is also a good time to review your employee files to see that you have the above items on file for your existing employees.**

### 2010 Salary Deferral Limits

Type of Plan	Deferral	Catch up (age 50 & over)
401(k)	\$ 16,500	\$ 5,500
SIMPLE	\$ 11,500	\$ 2,500

### Mileage Rate

The standard IRS mileage rate for 2010 for use of cars, light vans, pickups and panel trucks is 50¢ per mile.

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**2010 Payroll Tax Rates**

The following table summarizes the employer/employee taxes and rates imposed on payrolls:

<b>Type of Tax</b>	<b>Employer</b>	<b>Employee</b>
Federal Income Tax withheld	n/a	Use rate tables or schedules in Circular E based on W-4 information. 25% withholding on supplemental wages
FICA Tax	6.2% on first \$ 106,800 of taxable wages.	6.2% on first \$ 106,800 of taxable wages.
Medicare Tax	1.45% on all taxable wages	1.45% on all taxable wages
Pennsylvania Income Tax	n/a	3.07% on all taxable wages
Pennsylvania Unemployment	The first \$8,000 of each employee's wages are taxable. The PAUC assigns rates in December or January.	.06 % on all taxable wages
Federal Unemployment	Generally .8% on the first \$7,000 of taxable wages for each employee	n/a
Local Earned Income Tax	n/a	Each jurisdiction varies based on residency and place of employment. Please check with your local tax collector.
Local Services Tax	n/a	Ranges from \$10 to \$52 per year. Please check with your local tax collector.

Generally cash wages are subject to all taxes above. However, the definition of other taxable compensation such as employee benefits and employee contributions to pension and benefit plans varies greatly among the different types of taxes. If you need assistance, determining what wages are taxable for which tax, please contact me.

If you do not currently have employees, but expect to in 2010, please contact me so we can discuss the registration and filing requirement necessary.

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**Deposit and Filing Requirements**

Deposit requirements vary with each type of tax to be remitted. The following table outlines the deposit and filing requirements.

Reporting Form	Types of Tax	Deposit Requirements	Due Dates
Form 941	Federal Withholding FICA / Medicare	Varies – IRS notifies payers of changes prior to year end.	Vary depending on deposit requirements. Form due last day of month following calendar quarter.
Form PA W3 VIA E-TIDES*	Pennsylvania Income Tax Withheld	Varies – Pennsylvania Dept of Revenue notifies taxpayers with specific instructions	Vary depending on deposit requirements.
Form UC-2 VIA E-TIDES* (mandatory in 2010)	Pennsylvania Unemployment Tax	Paid with Return	Last day of month following calendar quarter.
Form 940	Federal Unemployment Tax	Deposit required when liability exceeds \$500	When required deposit last day of month following calendar quarter. Form due January 31 <sup>st</sup> .
Local Earned Income Taxes	Local Earned Income Taxes	Generally monthly or quarterly - varies depending on jurisdiction.	Forms due last day of month following calendar quarter.
Local Services Tax	Local Services Tax	Generally Quarterly - varies depending on jurisdiction.	Forms due last day of month following calendar quarter.

**\*PENNSYLVANIA REMITTANCE REQUIREMENTS**

Pennsylvania has replaced PA Income tax paper deposit coupons with two electronic filing systems - either over the internet (ETIDES) or by phone.

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For the internet option you must register at [www.etides.state.pa.us](http://www.etides.state.pa.us) by clicking on quick step setup. For the telefile option dial 1-800-748-8299. You must have your Pennsylvania and Federal ID's available when your register.

### ***Pennsylvania Minimum Wage***

*The Pennsylvania Minimum wage is \$7.25 per hour for employers with more than 10 employees.*

*Tipped employee minimum wage remains \$ 2.83 per hour; however, an employer must make up the difference if a tipped employee's wages plus tips of \$30 or more per month do not equal the above minimum wages.*

### **Sales Tax**

If you reported sales tax last year you will receive reporting and remittance requirements from the Pennsylvania Department of Revenue. Pennsylvania Sales Tax is reported and paid via E-TIDES, the Department's electronic filing system. You will not receive booklets for filing and remittance.

If you did not report sales and use tax last year and will begin to collect it in 2010, please contact my office.

Now is a good time to review sales tax reporting requirements you may have with other states. If you have any questions about them, please contact my office.

**You may also note that the Pennsylvania Department of Revenue is providing information to businesses that traditionally do not file sales tax returns to audit themselves for potential Use Tax due on purchases via mail order, internet or other purchases from out of state.**

### **Multi-State Requirements**

Each state has its own rules for determining if you are subject to its payroll, sales or income taxes. If you operate in any other state, please contact me.

Disclaimer: Any tax advice contained in the body of this letter is not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.