

Martin A. Darocha, CPA

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

IMPORTANT 2012 PAYROLL TAX TOOLKIT

Following is a brief summary of payroll tax information for 2012. 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:

- **Earned Income Tax – Act 32 goes into effect 1/1/2012. Employers are required to obtain information in the new Residency Certification Form for every 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.

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.

Also, the IRS has developed a new program to permit taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes. A taxpayer who participates in the VCSP will agree to prospectively treat the class of workers as employees for future tax periods. In exchange, the taxpayer will pay 10 percent of the employment tax liability that may have been due on compensation paid to the workers for the most recent tax year, determined under the reduced rates of section 3509 of the Internal Revenue Code; will not be liable for any interest and penalties on the liability; and will not be subject to an employment tax audit with respect to the worker classification of the workers for prior years.

2012 Salary Deferral Limits

Type of Plan	Deferral	Catch up (age 50 & over)
401(k)	\$ 17,000	\$ 5,500
SIMPLE	\$ 11,500	\$ 2,500

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Mileage Rate

The standard IRS mileage rate for 2012 is 55.5 ¢ per mile.

2012 Payroll Tax Rates

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

Type of Tax	Employer	Employee
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 REVISED 12/29/11	4.2% on first \$ 18,350 of taxable wages. THROUGH 2/29/2012 6.2% on wages up to \$110,100 after 2/29/2012.	6.2% on first \$ 110,100 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.	.08 % on all taxable wages
Federal Unemployment	Beginning 6/30/11, .6% on the first \$7,000 of taxable wages for each employee through 2012	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.

****Reflects most recent Congressional action as of 12/29/2011**

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 2012, 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**	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 st .
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.

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***FEDERAL REMITTANCE**

In 2012, you may no longer make federal tax deposits with coupons. You must make payments via the EFTPS or TeleFile systems. Amounts under certain thresholds may be made with returns. If you have any questions, please feel free to contact me.

**** PENNSYLVANIA UNEMPLOYMENT**

Beginning with the fourth quarter of 2011 (Oct. 1 through Dec. 31, 2011) any calendar week in which an employee earns \$100 or more must be reported as a credit week for the employee. Prior to Act 6 of 2011, a credit week was any week in which an employee earned at least \$50. **The new Unemployment Compensation Management System (UCMS) is not yet available. Employers and employer representatives currently registered with e-TIDES should continue to file quarterly reports using e-TIDES (UC-2/2A) or magnetic media (UC-2A) until further notice.**

READING EIT AND LST

Berks EIT will be collecting Reading EIT and LST in 2012. **Act 32 goes into effect 1/1/2012. Employers are required to obtain information in the new Residency Certification Form for every employee. We mailed you an information package already. Please contact us if you need additional information.**

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 tax last year and will begin to collect it in 2012, 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.

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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.