

# Martin A. Darocha, CPA

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

## 2018 PAYROLL TAX TOOLKIT

January 2018

Following is a brief summary of payroll tax information for 2018. 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 – 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](http://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 program to permit taxpayers to voluntarily reclassify workers as employees for federal employment tax purposes. The VCSP is a voluntary program that provides an opportunity for taxpayers to reclassify their workers as employees for employment tax purposes for future tax periods with partial relief from federal employment taxes. To participate in this voluntary program, the taxpayer must meet certain eligibility requirements and apply to participate in the VCSP by filing Form 8952, Application for Voluntary Classification Settlement Program, and enter into a closing agreement with the IRS.

### 2018 Salary Deferral Limits

Type of Plan	Deferral	Catch up (age 50 & over)
401(k)	\$ 18,500	\$ 6,000
SIMPLE	\$ 12,500	\$ 3,000

### Mileage Rate

The standard IRS mileage rate for 2018 is 54.5 ¢ per mile.

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**2018 Payroll Tax Rates**

Generally, cash wages are subject to all taxes below. 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.

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. <b>2018 tax tables are not out yet.</b>
FICA Tax	6.2% on wages up to \$128,400	6.2% on first \$ 128,400 of taxable wages.
Medicare Tax	1.45% on all taxable wages	1.45% on all taxable wages
Additional Medicare Tax**	n/a	0.9 % on wages greater than \$200,000 in a calendar year**
Pennsylvania Income Tax	n/a	3.07% on all taxable wages
Pennsylvania Unemployment	The first \$10,000 of each employee's wages is taxable. The PAUC assigns rates in December or January.	.06 % on all taxable wages
Federal Unemployment	Currently .6% on the first \$7,000 of taxable wages for each employee through 2018	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.

\*\*Additional Medicare Tax - The Additional Medicare Tax applies to an individual's Medicare wages, Railroad Retirement Tax Act compensation, and self-employment income that exceeds a threshold amount based on the taxpayer's filing status.

Employers are responsible for withholding the 0.9% Additional Medicare Tax on an individual's wages and compensation paid in excess of \$200,000 in a calendar year. An employer is required to begin withholding Additional Medicare Tax in the pay period in which it pays wages and compensation in excess of \$200,000 to an employee. There is no employer match for the Additional Medicare Tax.

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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 UCMS	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 UNEMPLOYMENT**

The definition of credit week remains sixteen times the minimum hourly wage. The current PA minimum wage is \$7.25, and sixteen times that amount is \$116. Therefore, for benefit years that began on or after Jan. 1, 2015, a credit week is defined as \$116. The unemployment insurance tax on employees is 0.07 percent. The new Unemployment Compensation Management System (UCMS) is up and running. Employers are required to file via UCMS during 2018.

**READING EIT AND LST**

Berks EIT will continue collecting Reading EIT and LST in 2018. **Employers are required to obtain information in the new Residency Certification Form for every employee. An information package is available on my website. 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 2018, 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.

**Starting a payroll in 2018?**

If you do not currently have employees, but expect to in 2018, please contact me so we can discuss the registration and filing requirement necessary.