

Good Morning:

Welcome to a new year of payroll and taxes. Summarized below are important highlights for 2008 and information to close 2007.

### YEAR 2008 PAYROLL TAXES AND HIGHLIGHTS

Type of Tax	Employee Rate	Employer Rate	Taxable Wage Base
Social Security	6.20%	6.20%	\$102,000
Medicare	1.45%	1.45%	No Limit
Federal Unemployment	Not Applicable	.80% <sup>(1)</sup>	\$7,000
Federal Income Tax	Income tax withholding tables are effective for wages paid after December 31, 2007 Supplemental Wages – Flat withholding rate of 25% Exceeding \$1,000,000 = 35%		
PA State	3.07%	Not Applicable	No Limit
PA Localities	1.0% <sup>(2)</sup>	Not Applicable	No Limit
PA Unemployment	.06% <sup>(3)</sup> (No limit)	Varies by Employer <sup>(4)</sup>	\$8,000
Local Services Tax <sup>(5)</sup>	Maximum of \$52	See our website for a list of the rates	

- (1) This is a reduced rate; with the requirement that all state unemployment contributions are filed and paid in a timely manner. Quarterly FUTA deposits are required when cumulative liability exceeds \$500.
- (2) Locality rates vary based on physical location of the business, usually 1%, see our website for a list with rates.
- (3) No limit on employees Taxable Wage Base for employee State Unemployment tax.
- (4) Each employer is assigned an unemployment rate based on previous experience and the industry they are in. Pennsylvania mails contribution rate statements each December.
- (5) This local tax was formerly known as EMST, please see the enclosed flyer for detailed information on the new LST withholding law.

Pension Plan Type:	2008 Limit:	Catch-up Contributions:
401(k) / 403 (b) / 501 (c)(18)(D)	\$15,500	\$5,000
408(p)(2)(E) – Simple Retirement Plans	\$10,500	\$2,500

#### **IMPORTANT:**

Computerized payroll users must update their tax tables before issuing their first paycheck in 2008. Please contact our office if you need the updated tables and instructions.

Look back period for 941 taxes: Your deposit schedule for a calendar year is determined from the total taxes (not reduced by any advance EIC payments) reported on your Form 941 (line 8) in a four-quarter look-back period. The look-back period for 2008 began July 1, 2006 and ended June 30, 2007. If you reported \$50,000 or less of taxes for the look-back period, you are a monthly schedule depositor; if you reported more than \$50,000, you are a semi-weekly depositor for 2008.

Employers in Pennsylvania with 15 or more employees and who are paying on two or more child support orders are required to remit their child support payments electronically as of September 6, 2006. Also, employers with a history of two payments that have been returned for insufficient funds will be required to remit electronically. There is a monetary sanction for failure to comply. Please log onto the Resources page of our website at [www.dstortz.com](http://www.dstortz.com) for more information.

For 2007, Minimum wage for Pennsylvania was \$7.15 effective 7/1/07. Employers with 10 or fewer full-time employees – your minimum wage changes as follows:

<u>Effective Date</u>	<u>Minimum Wage</u>	<u>Tip Minimum Cash Wage</u>	<u>Tip Credit</u>
07/01/07	\$6.65	\$2.83	\$3.82
07/01/08	\$7.15	\$2.83	\$4.32
07/24/09	\$7.25	\$2.83	\$4.32

If you have employees working in other states, please contact our office for that minimum wage information.

The standard business mileage rate for 2008 will increase to 50.5 cents per mile, from 48.5 cents.

In accordance with the New Hire Reporting Laws, all employers must report certain information about any new employees to Pennsylvania's New Hire Reporting Program Department in Harrisburg. The reports must be submitted within 20 days of the date of hire.

A Form I-9 (Employment Eligibility Verification Form) is required to be kept on file for each employee. Retain the form I-9 for 3 years after the date the employee begins work or one year after the person's employment is terminated whichever is later. The U.S. Department of Labor has recently issued penalties for incomplete forms. Employers must verify the employment eligibility and identity documents presented by the employee and record the information on the Form I-9. The I-9 was revised 06/05/07, and is available on our website.

It is the law that you request social security numbers from all employees. For each omission of a required taxpayer identification number on a federal tax form, the law provides that the Internal Revenue Service may charge a \$50 penalty per missing taxpayer identification number. A W-9 form should be completed and signed by all individuals and/or businesses that you are required to issue 1099's. This will help ensure that you have the correct name, address and identification number for tax reporting purposes.

If during 2007, you made payments totaling \$600 or more to any individual for services they performed for you, you are required to file form 1099-MISC with the Internal Revenue Service. Such payments include, but are not limited to, rent, commissions, and contract services. Any officer/owner receiving rent and/or lease payments from the business must be issued a 1099 to reflect payments received during 2007. A \$50 penalty per 1099 statement will be imposed for failure to furnish a statement to the payee; additional penalties can be assessed for not filing with the Internal Revenue Service.

**Reminder** - You are required to issue a 1099-MISC form for payments made to attorneys. These forms must be filed annually with any 1099's for sub-contractors. The 1099's for attorneys have a minimum dollar requirement of \$600 and must be issued to proprietary attorneys. We recommend separating legal expenses paid to attorneys for easier tracking at year-end.

Do you have an employee handbook for your business? If not, we can help get you up and running, protecting your business and assisting your employees. No matter how many employees you have, you should have an employee handbook. Call us for help to get you started.

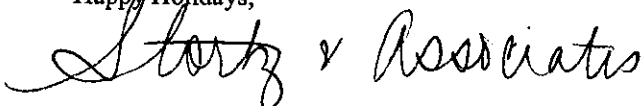
In order to prepare your 2007 year-end payroll tax returns the following information will be required by our office no later than 1/21/08 – any information received after the 21st will incur an additional \$100 surcharge in addition to your payroll tax preparation fees.

- Earnings cards for all employees for the entire year (complete with all addresses and social security numbers)
- Payroll forms, 941 deposits made for the fourth quarter, copies of 1st, 2nd and 3rd quarter payroll tax returns if our office did not prepare them
- 1099 information (name, address, social security number, type of payment and dollar amount paid)
- If you use QuickBooks or Peachtree, we can retrieve the information from a back-up disk

As a reminder, if you are using Quickbooks software, please remember to update your payroll tax tables for the 2008 payroll year. Additionally, if you are using Peachtree software, the tax tables are currently available. Please call our office to obtain the password to download them from our website.

All 2007 payroll tax returns are due by January 31, 2008. Call our office if you have any questions or need any forms.

Happy Holidays,



The Team at Stortz & Associates  
Certified Public Accountants