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Good Morning:

Welcome to a new year of payroll and taxes. Summarized below are important highlights for 2010 and information to close 2009.

YEAR 2010 PAYROLL TAXES AND HIGHLIGHTS

Type of Tax	Employee Rate	Employer Rate	Taxable Wage Base
Social Security (no change)	6.20%	6.20%	\$106,800
Medicare	1.45%	1.45%	No Limit
Federal Unemployment	Not Applicable	.80% ⁽¹⁾	\$7,000
Federal Income Tax	New income tax withholding tables for 2010 with minimal changes due to inflation. Supplemental Wages – Flat withholding rate of 25% Exceeding \$1,000,000 = 35%		
PA State	3.07%	Not Applicable	No Limit
PA Localities	1.0% ⁽²⁾	Not Applicable	No Limit
PA Unemployment	.08% ⁽³⁾ (No limit)	Varies by Employer ⁽⁴⁾	\$8,000
Local Services Tax	Most municipalities impose a Local Services tax or an Occupational Privilege Tax, which can range from \$ 10 to \$ 52 per year. For amounts over \$ 10, the tax is prorated over the number of pay periods in the Year. Refer to our website for a list of the rates NEW FOR 2010 – Lower Macungie Township will be imposing a Local Services Tax of \$52		

- (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.

Pension Plan Type:	2010 Limit:	Catch-up Contributions:
401(k) / 403 (b) / SARSEP	\$ 16,500	\$ 5,500
408(p)(2)(E) – Simple Retirement Plans	\$ 11,500	\$ 2,500

IMPORTANT:

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 third-quarter look-back period. The look-back period for 2010 began July 1, 2008 and ended June 30, 2009. 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 2010.

PA Minimum Hourly Wage Information for 2010 is: \$ 7.25; Tip Minimum Cash Wage is \$2.83; Tip Credit is \$ 4.42
If you have employees working in other states, please contact our office for that minimum wage information.

The standard business mileage rate for 2010 will be 50 cents per mile. Visit our website's resources page for additional mileage rates.

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. Visit <https://www.panewhires.com/> for online reporting.

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 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. Form W-9 is available on our website.

If during 2009, 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 2009. 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.

You are required to issue a 1099-MISC form for payments made to attorneys. The 1099's for attorneys have a minimum dollar requirement of. 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 2009 year-end payroll tax returns the following information will be required by our office no later than January 20, 2010 -- any information received after the 20th will be subject to 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, tax identification number, type of payment and dollar amount paid in 2009)
- If you use QuickBooks or Peachtree, we can retrieve the information from a back-up disk
- All 2009 payroll tax returns are due by February 1, 2010.

Computerized Payroll Users

If you are using QuickBooks, please remember to update your payroll tax tables for the 2010 payroll year (for example the SUI rates.) Peachtree users visit our website for more information on the tax table updates. You must update your tax tables before issuing your first paycheck of 2010.

Thank you for your continued business.

Happy Holidays,

The Team at Stortz & Associates
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