

2012 Payroll Tax Changes

	2011	2012
Social Security	<p>Employee rate: 4.2%*</p> <p>Employer rate: 6.2%</p> <p>Wage base limit: \$106,800</p> <p>*The payroll tax cut, which reduced the Social Security employee rate from 6.2% to 4.2%, was in effect for all of 2011.</p>	<p>Employee rate: 4.2%*</p> <p>Employer rate: 6.2%</p> <p>Wage base limit: \$110,100</p> <p>*In February 2012, Congress extended the payroll tax cut until the end of 2012, and the IRS released a new Form 941 to account for that extension.</p>
Medicare	<p>Employee and employer rate: 1.45%</p> <p>No wage base limit for Medicare tax</p>	<p>Employee and employer rate: 1.45%</p> <p>No wage base limit for Medicare tax</p>
Federal Unemployment Tax (FUTA)	<p>Employer rate: 6.2%*</p> <p>*Decreased to 6.0% on July 1, 2011</p> <p>*If the employer was entitled to the maximum 5.4% credit for state unemployment tax payments, then the tax rate after the credit was 0.8% through June 30, 2011.</p> <p>Wage base limit: \$7,000</p>	<p>Employer rate: 6.0%*</p> <p>*If the employer is entitled to the maximum 5.4% credit for state unemployment tax payments, then the tax rate after the credit is 0.6%.</p> <p>Wage base limit: \$7,000</p>
Change of address	Businesses used Form 8822, <i>Change of Address</i> , to notify the IRS of an address change.	Businesses must now use Form 8822-B, <i>Change of Address – Business</i> , for any business address change.
401(k) deferral limitations	<p>Elective deferrals: \$16,500</p> <p>Catch-up contribution deferrals: \$5,500</p>	<p>Elective deferrals: \$17,000</p> <p>Catch-up contribution deferrals: \$5,500</p>
Health Savings Account (HSA)	<p>Individual maximum contribution (includes employer contribution): \$3,050</p> <p>Family maximum contribution (includes employer contribution): \$6,150</p> <p>Catch-up contributions: \$1,000</p>	<p>Individual maximum contribution (includes employer contribution): \$3,100</p> <p>Family maximum contribution (includes employer contribution): \$6,250</p> <p>Catch-up contributions: \$1,000</p>

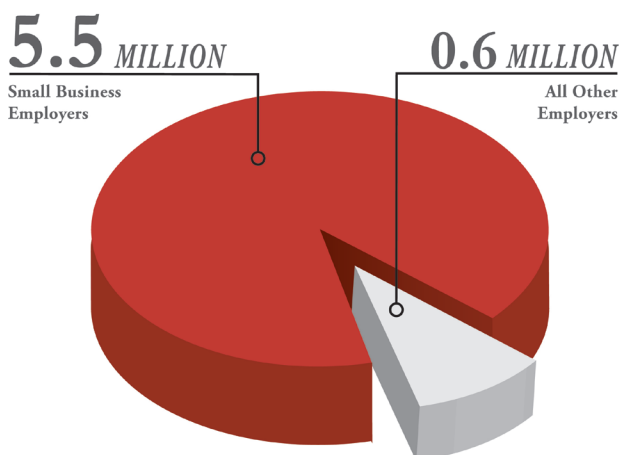
State	2011	2012
Alaska	\$34,600	\$35,800
Colorado	\$10,000	\$11,000
Florida	\$7,000	\$8,500
Hawaii	\$34,200	\$38,800
Idaho	\$33,300	\$34,100
Illinois	\$12,740	\$13,560
Iowa	\$24,700	\$25,300
Kentucky	\$8,000	\$9,000
Michigan	\$9,000	\$9,500
Minnesota	\$27,000	\$28,000
Montana	\$26,300	\$27,000
Nevada	\$26,600	\$26,400
New Hampshire	\$12,000	\$14,000
New Jersey	\$29,600	\$30,300
New Mexico	\$21,900	\$22,400
North Carolina	\$19,700	\$20,400
North Dakota	\$25,500	\$27,900
Oklahoma	\$18,600	\$19,100
Oregon	\$32,300	\$33,000
Rhode Island	\$19,000	\$19,600*
South Carolina	\$10,000	\$12,000
South Dakota	\$11,000	\$12,000
Utah	\$28,600	\$29,500
Vermont	\$13,000	\$16,000
Washington	\$37,300	\$38,200
Wyoming	\$22,300	\$23,000

*Rhode Island wage base limit is \$21,100 for certain negative-rated employers.

States listed above made a change in their taxable wage base from 2011 to 2012.

For a full 50-state listing, please visit www.Beyond415.com/ADP

The IRS fails to collect \$76 billion each year due to improper employment tax reporting and payment.



17% of the tax gap is related to incorrectly reporting and paying payroll taxes.

– IRS Tax Gap report, Jan. 2012

IRS Top Compliance Initiatives for payroll and employment taxes

Initiative	Impact
Small business audit initiative	Audits focusing on proper wage reporting for small businesses
Worker reclassification	Compliance programs to properly classify workers, millions of whom are independent contractors the IRS thinks should be employees
Questionable employment tax practices	Audits and information sharing coordinated among federal and state governments and the Department of Labor
National Research Program audits	Random audits focusing on worker classification, fringe benefits, reimbursement plans and officer compensation

Employer Best Practices

- Consider worker status before onboarding employees.
- Gather all required information from workers, including Taxpayer Identification Number (TIN), withholding forms and employee jurisdictions.
- Review filings for accuracy, including reconciling Forms 941 and Form W-2 each year.
- Understand deposit requirements.
- File and deposit on time.

Payroll by the Numbers

Form	2011 Filings (#)
941/940	29 million
1040	142 million
W-2	227 million
1099	2.15 billion



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