



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**PAYROLL TAX UPDATE**

The following schedule shows the various payroll tax rates for employees, employers, or both. The current year rates became effective on January 1st.

	<u>2011</u>	<u>2010</u>
<b>Social Security – Employee</b>		
Rate	<b>.0420</b>	.0620
Ceiling	<b>\$106,800.00</b>	\$ 106,800.00
Maximum Tax	<b>4,485.00</b>	6,621.00
<b>Social Security – Employer</b>		
Rate	<b>.0620</b>	.0620
Ceiling	<b>\$106,800.00</b>	\$ 106,800.00
Maximum Tax	<b>6,621.00</b>	6,621.00
<b>Social Security – Self-Employed</b>		
Rate	<b>.1040</b>	.1240
Ceiling	<b>\$106,800.00</b>	\$ 106,800.00
Maximum Tax	<b>11,107.00</b>	13,243.00
<b>Medicare Tax – Employee</b>		
Rate	<b>.0145</b>	.0145
Ceiling	<b>No Ceiling</b>	No Ceiling
Maximum	<b>No Limit</b>	No Limit
<b>Medicare Tax – Employer</b>		
Rate	<b>.0145</b>	.0145
Ceiling	<b>No Ceiling</b>	No Ceiling
Maximum	<b>No Limit</b>	No Limit
<b>Medicare Tax – Self-Employed</b>		
Rate	<b>.0290</b>	.0290
Ceiling	<b>No Ceiling</b>	No Ceiling
Maximum	<b>No Limit</b>	No Limit
<b>SDI – Employee</b>		
Rate	<b>.012</b>	.011
Base	<b>\$93,316.00</b>	\$ 90,669.00
Maximum Withholding	<b>1,119.79</b>	997.36

	<u>2011</u>	<u>2010</u>
<b>SUI/ETT – Employer</b>		
Base	<b>\$7,000.00</b>	\$7,000.00
SUI Rate – Varies for Existing Employers		
SUI Rate – New Employer	<b>.034</b>	.034
ETT Rate – Employment Training Tax	<b>.001</b>	.001
<b>FUI – Employer</b>		
Rate	<b>.008</b>	.008
Base	<b>\$7,000.00</b>	\$7,000.00
Maximum Tax	<b>56.00</b>	56.00

### **RETIREMENT PLAN LIMITATIONS**

Maximum Sec.401(k), 403(b), & 457(b) Deferral	<b>\$ 16,500.00</b>	\$16,500.00
Maximum SIMPLE Plan Contributions	<b>11,500.00</b>	11,500.00
Maximum Contribution to Defined Contrib. Plan/ SEP IRA	<b>49,000.00</b>	49,000.00
Maximum Contribution to IRA (Regular or Roth)	<b>5,000.00</b>	5,000.00

### **“CATCH-UP” DEFERRALS**

Individuals who are at least 50 years of age by the end of the tax year are permitted to make “catch-up” deferrals to a variety of employer-sponsored defined contribution plans and IRAs.

Maximum Catch-Up Deferral to 401(k), 403(b), or 457(b) plan	<b>\$5,500.00</b>	\$5,500.00
Maximum Catch-Up Deferral to a SIMPLE 401(k) or SIMPLE IRA	<b>2,500.00</b>	2,500.00
Maximum Catch-Up Deferral to Traditional and ROTH IRAs	<b>1,000.00</b>	1,000.00

### **SOCIAL SECURITY RETIREMENT EARNINGS TEST EXEMPT AMOUNTS**

Under Full Retirement Age (65)	<b>\$14,160/yr (1,180/mo)</b>	\$14,160/yr (1,180/mo)
One dollar in benefits will be withheld for every \$2 in earnings above the limit.		
Year Individual Reaches Full Retirement Age (65)	<b>\$37,680/yr (3,140/mo)</b>	\$37,680/yr (3,140/mo)

This applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.

## **HEALTH SAVINGS ACCOUNT CONTRIBUTIONS**

Individuals who enrolled in eligible HSA-compatible health plans are eligible to make annual contributions subject to IRS limitations.

	<u>2011</u>	<u>2010</u>
Maximum Single Contribution	<b>\$ 3,050.00</b>	\$ 3,000.00
Maximum Family Contribution	<b>6,150.00</b>	5,950.00
Maximum Catch-up Contribution (55 and older until enrolled in Medicare)	<b>1,000.00</b>	1,000.00
Minimum Deductible HSA Health Plan – Single	<b>1,200.00</b>	1,200.00
Minimum Deductible HSA Health Plan – Family	<b>2,400.00</b>	2,400.00
Maximum Out-of-Pocket Expenses – Single	<b>5,950.00</b>	5,950.00
Maximum Out-of-Pocket Expenses – Family	<b>11,900.00</b>	11,900.00

## **1099-MISC (Statement for Recipients of Miscellaneous Income) and INDEPENDENT CONTRACTOR REPORTING**

Form 1099 is required to be filed for payments made in the course of a trade or business to non-corporate entities who receive at least \$600 in gross rents, prizes, awards, fees and commissions, or any payment that cannot be reported on other types of 1099's or W-2's, and royalty payments of \$10 or more. The exemption from reporting payments made to corporations does not apply to payments for legal services and/or attorneys' fees. With certain exceptions, rental income recipients making payments of \$600 or more to a service provider in the course of earning rental income are required to file Form 1099. Penalties for non-filing or late filing of forms 1099 increased effective for 1099's required to be filed after Dec. 31, 2010 and can reach as much as \$250 per 1099. We have recently seen the IRS levy fines for late filing.

Businesses must report individual independent contractors subject to Form 1099 filing requirements to the EDD within 20 days of making payments to or entering into a contract for \$600 or more within a calendar year. This is an annual requirement, so even if the business reported the independent contractor in a prior year the contractor must be reported again if requirements are met for that year. Form DE 542, Report of Independent Contractor, must be completed.

## **FEDERAL STANDARD MILEAGE RATES**

Below are the optional standard mileage rates for employees, self-employed individuals, or other taxpayers to use in computing the deductible cost paid or incurred on or after January 1.

	<u>2011</u>	<u>2010</u>
Business Activities	<b>\$.51</b>	\$.50
Charitable Activities	<b>.14</b>	.14
Medical or Moving Purposes	<b>.19</b>	.165