



## **YEAR 2010 BARATZ PAYROLL TAX REFERENCE SHEET**

### **FEDERAL TAX RULES**

- Social Security: wage base remains at \$106,800, maximum contribution is \$6,621.60, the rate is 6.2%.
- Medicare: wage base is unlimited, unlimited contribution, rate at 1.45%.
- FUTA: wage base is \$7,000, maximum employer contribution is still \$56, with a net tax rate of 0.8%.
- Federal minimum wage is \$7.25 an hour. See New Jersey and Pennsylvania minimum wage below.

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### **NEW JERSEY STATE TAX RULES**

- Withholding rates vary from 1.5% - 7.0% for wages up to \$500,000. Wages in excess of \$500,000 have a withholding rate of 9.9%.
- Unemployment tax wage base is \$29,700, the employee withholding rate is 1.045% (.3825% unemployment fund, .0425% workforce development, 0.5% disability, .12% family leave insurance), maximum employee contribution is \$310.37.
- New Jersey minimum wage is \$7.25 an hour.
- The State of New Jersey requires all employers to file and pay their Employer's Quarterly Report (Forms NJ-927, NJ-927W, NJ-500), the annual Household Employer's Annual Report (Form NJ-927H) and the Employer Report of Wages Paid (Form WR-30) electronically. Please visit their website at [www.state.nj.us/treasury/taxation](http://www.state.nj.us/treasury/taxation) to file the reports and for further information.

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### **PENNSYLVANIA STATE TAX RULES**

- Withholding rate continues to be 3.07%.
  - Employer unemployment tax wage base is \$8,000.
  - Employee unemployment contribution is .08% of total wages.
  - Pennsylvania minimum wage is \$7.25 an hour.
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### **PHILADELPHIA CITY TAX RULES**

- Wage tax withholding rates are as follows effective July 1, 1009 through December 31, 2009: resident 3.9296%, non-resident 3.4997%. The City of Philadelphia has not issued any new rate change updates for 2010 at this time. Please visit their website at [www.phila.gov/revenue](http://www.phila.gov/revenue) for any new rate updates relating to 2010.

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### **ELECTIVE DEFERRAL LIMITATIONS**

- 401(k) maximum annual deferral is \$16,500, special catch up provision for those 50 and older is \$5,500 for 2010.
- Simple IRA Plan 408(p) maximum annual deferral is \$11,500, special catch up provision for those 50 and older is \$2,500 for 2010.

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### **PENSION CONTRIBUTIONS**

- Simple Employee Plan (SEP): maximum contribution is the smaller of \$49,000 or 25% of participant's compensation.\*
- Defined contribution plan: profit sharing; maximum contribution is the smaller of \$49,000 or 100% of participant's compensation.\*
- Defined contribution plan: money purchase; maximum contribution is the smaller of \$49,000 or 100% of participant's compensation.\*
- Defined benefit plans: maximum contribution is the amount needed to provide an annual benefit no larger than the smaller of \$195,000 or 100% of the participant's average compensation for his or her highest 3 consecutive calendar years.

\* Compensation is generally limited to \$245,000

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**FEDERAL TAX DEPOSITORY RULES**

<b><u>DEPOSIT FREQUENCY</u></b>	<b><u>DETERMINATING FACTOR</u></b>	<b><u>PAY DATE</u></b>	<b><u>DEPOSIT REQUIREMENTS</u></b> <b><u>DEPOSIT DATE</u></b>
Monthly	If the accumulated tax liability is less than or equal to \$50,000 for the annual base period.	Any Day	Deposit monthly by the 15 <sup>th</sup> of the following month.
Semi Weekly	If the accumulated tax liability is greater than \$50,000 for the annual base period.	Wednesday, Thursday or Friday	Deposit the following Wednesday.
		Saturday, Sunday, Monday or Tuesday	Deposit the following Friday.

<b><u>EXCEPTION RULES</u></b>	<b><u>TAX LIABILITY AMOUNT</u></b>	<b><u>DEPOSIT REQUIREMENTS</u></b>
\$2,500 Rule	If the accumulated tax liability is less than \$2,500 for the entire quarter.	Remit the liability with the quarterly tax return.
\$100,000 Rule	If the accumulated tax liability is \$100,000 or more on any single day.	Deposit the liability on the next business day.

The Internal Revenue Service has established an Electronic Federal Tax Payment System (EFTPS). If the 2008 federal tax deposits (such as employment tax, excise tax and corporate net income tax) were greater than \$200,000 in total or you were already required to use EFTPS in 2009, the payments for 2010 are required to be remitted through EFTPS.

**New Jersey Electronic Filing**

New Jersey, under its Electronic Funds Transfer (EFT) program, has a threshold of \$10,000. New Jersey requires that a taxpayer with a prior year's tax liability of \$10,000 or greater in any one tax to remit all tax payments to the Division of Revenue using EFT.

**Annual Base Period**

The determination of which federal deposit schedule applies will be made by looking back at the employment taxes reported for a 12-month look back period, July 1 of the second preceding calendar year through June 30 of the prior year.

**Safe Harbor**

An employer who under deposits will not be penalized if the shortfall is less than or equal to \$100, or less

than two percent of the amount which should have been deposited, whichever is greater.

## **YEAR 2010 BARATZ PAYROLL TAX REFERENCE SHEET**

### **New Hire Reporting**

A Federal Regulation mandates that all employers are to report information for any new hire or rehire within 20 days of their start date. You must report employee's name, address, social security number, date of birth, and hire date along with your employer's name, address and Federal identification number. Information should be mailed or faxed within the 20 day period to: New Hire Directory, P.O. Box 4654, Trenton, New Jersey 08650-4654. The fax number is (800) 304-4901. Information can also be reported online at [www.nj-newhire.com](http://www.nj-newhire.com).

Most payroll services will handle the new hire reporting automatically, and therefore, it will not be any burden for those utilizing their services. For those not using an outside payroll services, please note the requirements in order to avoid any compliance penalties.

### **Form I-9 Requirements**

Federal Form I-9 was developed by the U.S. Department of Justice, Immigration and Naturalization Services. The purpose of the form is to document the verification of an individual's eligibility to work in the U.S. All employees, citizens, and non-citizens, hired after November 6, 1986 must complete and sign section 1 of the form at the time of hire. The employer is responsible for ensuring that Section 1 is timely and properly completed.

Employers are responsible for completing section 2 of the form by examining evidence of the applicant's identity and employment eligibility within three business days of the date employment begins. If the applicant is unable to produce the required documents within three business days they must present a receipt for the application of the required documents within three business days and the actual documents within ninety days.

Employers must complete section 3 of the form when updating or re-verifying the I-9 information. Employers must re-verify employment eligibility of their employees on or before the document expiration date recorded at the time of hire.

Employers must retain completed I-9s for three years after the date of hire or one year after the date employment ends, whichever is later.