

PAYROLL UPDATE

FEDERAL TAXES

Federal Withholding

Use tables found in IRS Publications 15, "Circular E", with the effective date of January 2016. Supplemental wages are subject to a 25% withholding rate and 39.6% for supplemental wages exceeding \$1,000,000.

Federal Insurance Contributions Act (FICA)

Social Security:	2015	2016
Wage Base	\$118,500	\$118,500
Employee withholding rate/Employer tax rate	6.2%	6.2%
Self-employed rate	12.4%	12.4%

Medicare:	2015	2016
Wage Base	No Limit	No Limit
Employee withholding rate/Employer tax rate	1.45%	1.45%
Self-employed rate	2.9%	2.9%

* An additional 0.9% Medicare tax should be withheld for each employee earning in excess of \$200,000. Note that employers are not required to match this tax.

Federal Unemployment Tax Act (FUTA)

	2015	2016
Wage base	\$7,000	\$7,000
Tax rate	0.6%	0.6%

Federal Minimum Wage

The hourly Federal minimum wage is \$7.25 effective 7/24/09.

Retirement Plans

Maximum Contribution / Deferral Limits:

	2015	2016
IRA/Roth IRA	\$5,500	\$5,500
Catch-up contribution for individuals aged 50 and older	\$1,000	\$1,000
401(k) plans	\$18,000	\$18,000
Catch-up contribution for participants aged 50 and older	\$6,000	\$6,000
403(b) plans	\$18,000	\$18,000
Catch-up contribution for participants aged 50 and older	\$6,000	\$6,000
457 plans	\$18,000	\$18,000
Catch-up contribution for participants aged 50 and older	\$6,000	\$6,000
Defined contribution plan maximum dollar limit	\$53,000	\$53,000
Annual plan compensation limit	\$265,000	\$265,000

STATE TAXES

Unemployment Compensation - Effective 2016

	Wages subject to employer tax	Wages subject to employee w/h	Employee withholding rate
Delaware	\$18,500	N/A	N/A
Pennsylvania	\$9,500	All Wages	0.07%
Maryland	\$8,500	N/A	N/A
New Jersey	\$32,600	\$32,600	0.7050%

Income Tax Withholding

Pennsylvania's withholding tax rate for 2016 remains unchanged at 3.07%. Delaware, Maryland and New Jersey's tax rates are based on wage bracket tax tables provided by the respective states.

Minimum Wage Effective 2016 (Special rules apply for tips and meals)

Delaware	\$8.25 (effective 6/1/15)
Pennsylvania	\$7.25 (effective 7/24/09)
Maryland	\$8.25 (effective 1/1/15) and \$8.75 (effective 7/1/16)
New Jersey	\$8.38 (effective 1/1/15)

LOCAL TAXES

All employers must comply with Pennsylvania's "Act 32." This means employers are required to deduct the local earned income tax at the proper rate from each employee, which is the GREATER of (1) the tax rate where the employee is employed, which is the employer non-resident rate or (2) the tax rate where the employee lives, which is the employee resident rate.

All Reading-based employers are required to withhold the City of Reading's distressed non-resident tax rate from all non-resident employees working in Reading if the distressed non-resident tax rate is greater than the employee's resident tax rate.

MISCELLANEOUS

Year-End Bonus Reminder

Year-end bonuses may trigger an employer to exceed their federal tax liability of \$100,000 for the first time. If on any day an employer has accumulated a Federal and FICA tax liability of \$100,000 or more, both the monthly and semiweekly deposit rules are overridden. The tax liability must be deposited by the next banking day. Note that if a monthly depositor becomes subject to the "\$100,000 next day rule, they automatically become a semiweekly depositor for the rest of the current year, as well as the following calendar year.

Social Security Benefits

The maximum amounts retired employees can earn before losing Social Security benefits are:

	Reduction	2015	2016
Age 62 to 65	\$1 for every \$2 over	\$15,720	\$15,720
Age 66 and over	None	No Limitations	No Limitations
Turn 66 in 2016	\$1 for every \$3 over - \$41,880 (\$3,490 per month) until birthday		

The Medicare Part B Premium is \$121.80 a month in 2016. Please note that married couples with MAGI exceeding \$170,000 and singles with MAGI exceeding \$85,000 will pay a higher premium.

Standard Deduction/Personal Exemption

The basic standard deductions and personal exemption are as follows:

	2015	2016
Joint return or Surviving Spouse	\$12,600	\$12,600
Single (other than head of household of surviving spouse)	\$6,300	\$6,300
Head of household	\$9,250	\$9,300
Married filing separate returns	\$6,300	\$6,300
Personal Exemption	\$4,000	\$4,050

W-2 Reporting for Health Insurance

Employers are required to report the cost of employer-provided health insurance coverage on 2015 Forms W-2, Box 12, Code DD, if 250 or more W-2's were filed for 2014. The reporting is informational only and is not subject to tax. Attached at the end of this document is a chart issued by the IRS for guidance on what should be reported.

2016 PAYROLL RATES

FEDERAL TAXES

	Taxable Wage Base	Employer Tax Rate	Employee Tax Rate
Social Security	\$118,500	6.20%	6.20%
Medicare	No Limit	1.45%	1.45% *
FUTA	\$7,000	0.60%	N/A

Federal Income Tax Refer to IRS Publication 15, "Circular E" effective January 2016.

* An additional 0.9% Medicare tax should be withheld for each employee earning in excess of \$200,000. Employers are not required to match this tax.

STATE AND LOCAL INCOME TAXES

PA	3.07%
DE, MD, NJ	Use tax table provided by state taxing authorities
Locals (PA)	Municipal tax rates vary and may not require withholding from employees under 16 years of age.
LST	Varies by municipality

STATE UNEMPLOYMENT TAX

	Employer Taxable Wage Base	Employee Tax Rate
PA	\$9,500	0.07%*
DE	\$18,500	n/a
MD	\$8,500	n/a
NJ	\$32,600	0.7050%**

* Employee withholding rate applies to all wages.

** Employee withholding rate applies to first \$32,600 of wages.

Employer contribution rate is per your contribution rate notice.

MINIMUM HOURLY WAGE

Federal	\$7.25 (effective 7/24/09)
PA	\$7.25 (effective 7/24/09)
DE	\$8.25 (effective 6/1/15)
MD	\$8.25 (effective 1/1/15) and \$8.75 (effective 7/1/16)
NJ	\$8.38 (effective 1/1/15)

There are special rules for tips and meals.

STANDARD MILEAGE RATE

54.0¢ per mile

PAYROLL FEDERAL TAX REQUIREMENTS

Deposit schedules are based on a 12-month lookback period, July 1 through June 30 of the prior year. If the payroll tax liability for this lookback period was \$50,000 or less, you will be a monthly depositor. If the payroll tax liability was greater than \$50,000, you will be a semi-weekly depositor.

Monthly schedule depositor

- Deposits are due on or before the fifteenth of the next month.

Semi-weekly schedule depositor

- Pay date on Wednesday, Thursday or Friday - Deposits due on or before the following Wednesday.
- Pay date on Saturday, Sunday, Monday or Tuesday - Deposits are due on or before the following Friday.

Exceptions

- Employers accumulating a tax liability of \$100,000 or more on any day during a deposit period must deposit the tax by the next banking day (If you are a monthly depositor, this would automatically make you a semi-weekly depositor the remainder of the calendar year).
- Employers accumulating a tax liability less than \$2,500 during the quarter are not required to make a deposit. Full payment may be remitted with the quarterly employment tax return.

Electronic Federal Tax Payment System (EFTPS)

You must deposit all depository taxes electronically using EFTPS.

To enroll in EFTPS, visit www.eftps.gov or call 1-888-725-7879 to request form by mail.

For enrollment information, call 1-800-555-4477.