

2012 PAYROLL TAX NOTICE

The good news is the current tax rates of 10%, 15%, 25%, 28%, 33%, and 35% will stay in effect one more year, through December 31, 2012. Had the Tax Relief Act of 2010 not been enacted, the 10% rate would have been eliminated and the other rates would have been set at 15%, 28%, 31%, 36%, and 39.6%, beginning January 1, 2011. TRA 2010 also extends marriage penalty relief that set the standard deduction for married individuals filing jointly at double that for single individuals and widened the 15% tax bracket to twice the size for joint filers that it is for single individuals.

The standard deduction amounts for 2012 increase to \$11,900 for married couples filing jointly or surviving spouses, \$5,950 for single taxpayers and married taxpayers filing separately, and \$8,700 for heads of households. The personal exemption amount for 2012 increases to \$3,800, up from \$3,700 in 2011.

Good news: The Nebraska tax rates, brackets, withholding allowance value, special withholding procedures, and withholding tables on wages, remain the same as 2011.

Good news regarding the employee tax rate for Social Security. The Tax Relief Act of 2012 extends until the end of 2012 the reduction in the social security tax rate paid by employees from 6.2% to 4.2% that was first implemented for 2011 by the Tax Relief Act of 2010. The rate remains at 4.2% for 2012 for the first \$110,100 of wages paid in 2012. The maximum that can be withheld will be \$4,624.20 a \$138.60 increase from the 2011 maximum of \$4,485.60. The employer tax rate for Social Security remains unchanged at 6.2% for employee's covered wages paid in 2012. In 2012, the Medicare tax rate is 1.45% each for employers and employees, unchanged from 2011. There is no wage base limit for Medicare tax.

Faculty, staff and students, are reminded that the "EXEMPT" status from Federal and State income tax withholding expires February 15, 2012 for W-4 Forms submitted on or before December 31, 2011. Individuals who qualify and wish to remain exempt from Federal and State tax withholding for the 2012 tax year should complete a new W-4 Form and forward it to Payroll, 205 EAB, before February 15, 2012.

Faculty and staff should be aware of the difference between the “gross year-to-date” earning amount shown on the final 2011 pay advice and the Federal and State taxable earnings also on the final 2011 pay advice (included on the 2011 W-2 Form, box 1). The difference is a result of sheltering various deductions.

Retirement deductions reduce taxable income, Social Security and Medicare taxes ARE NOT reduced by retirement deductions. Income taxes are not due until retirement is paid.

Taxable income and Social Security and Medicare taxes ARE REDUCED by the following deductions:

- Health and dental insurance premium deductions
- Long term disability premium deductions
- Accidental death and dismemberment premium deductions
- Reimbursement account deductions
- Parking deductions
- Vision care premium deductions

Taxable income and Social Security and Medicare taxes ARE NOT REDUCED by the following deductions:

- Dependent life insurance premium deductions
- Long term care premium deductions
- Life insurance premium deductions