

2012 Employer Filings: Payroll Taxes, Information Returns and Filing Deadlines

As we move into 2012, the filing deadlines for information returns and tax payments are fast approaching. Below you will find a reference guide to assist with the requirements for the upcoming year. If you have questions or need assistance in meeting any of these filing requirements, please give us a call.

The information below is intended as a useful guide to understanding employer taxes and filing deadlines. This summary is not intended to be comprehensive as these calculations are complex and are subject to change. Please contact our office or your payroll advisor with any questions.

PAYROLL TAX RATES

Summary of Payroll Tax Rate Changes in 2012:

- The social security wage base has been increased to \$110,100
- The IRS has extended the 2011 reduced employee social security tax rate of 4.20% through February 29, 2012. There will be a recapture for those who make over \$18,350 during these 2 months. Beginning March 1, 2012 the tax rate will return to 6.20% for all employees unless the reduction is further extended
- California has reduced the SDI tax rate to 1% on wages up to \$95,585

Payroll Tax Rates	2011	2012	Wages up to:
Employee Withholdings:			
Federal – Social Security	4.20%*	6.20%*	\$110,100
Federal - Medicare	1.45%	1.45%	All wages subject to tax
California – State Disability	1.20%	1.00%	\$95,585
Employer Taxes:			
Federal – Social Security	6.20%	6.20%	\$110,100
Federal - Medicare	1.45%	1.45%	All wages subject to tax
Federal – FUTA (net of state credit)	.80%	.80%	\$7,000
California – Unemployment Insurance (SUI)	3.40%	3.40%**	\$7,000
California – Employment Training (ETT)	0.10%	0.10%	\$7,000

*4.20% rate extended through February 29, 2012 for wages up to \$18,350.

** Companies are assigned a UI tax rate of 3.4% for the first 2-3 years of business. Subsequent your UI tax rate will be based on your UI reserve between 1.5% to 6.2%.

INFORMATION RETURNS AND FILINGS

Form 1099-MISC - Statement for Recipients of Miscellaneous Income should be provided for each Individual or Partnership (but not Corporations) to whom you have paid at least \$600 in payments for services or rents, and at least \$10 in royalties. In addition, payments of \$600 or more made to an Attorney must be reported on Form 1099 regardless of the Law Firms' Corporate status. **Alert - The IRS and FTB are actively assessing penalties for failure to timely file information returns.**

For Form 1099-MISC to be issued to DZH Phillips, LLP, our federal identification number is 26-4677183.

California employer new hires - You are required to report all new hires to the Employment Development Department within 20 days on Form DE 34 or via the web

California employer contractor - You are also required to report certain independent contractors you use in your business within 20 days of the contract or making payments of \$600 or more on Form DE 542. This reporting also applies to individuals who have Schedule C or Schedule F businesses, own rental property and use independent contractors to do repairs, landscaping, make improvements or provide other services. This information will also be used to enforce child support obligations.

California Use Tax - Qualified purchasers are required to register and file their 2011 use tax returns with the Board of Equalization (BOE) on or before April 16, 2012, even if there is a zero liability. In general, you owe California use tax if you made purchases from an out-of state vendor that did not charge you sales tax. Qualified purchasers generally include a person that has at least \$100,000 in worldwide gross receipts from business operations per calendar year and is not required to hold a seller's permit.

FILING DEADLINES

Household Employees: If you have a household employee such as a nanny or other care provider, please see our guide to Paying Household Employee Taxes for payroll tax filing requirements and deadlines.

January 31, 2012

- Form 941 – Federal Employer's Quarterly Tax return
- Form DE 9 – California – EDD - New Quarterly Contribution Return and Report of Wages
- Form 940 or 940-EZ - Annual Federal Unemployment Insurance Tax Return
- Form W-2s provided to employees
- Form 1099s provided to recipients

February 29, 2012

- Form W-3 - Transmittal of Forms W-2 to the Social Security Administration
- 2011 San Francisco Payroll Expense Tax Statement
 - Companies with San Francisco payroll expense less than \$150,000 will not need to file
 - Companies with less than \$250,000 of San Francisco payroll expense will be exempt from the tax but are still required to file an annual Payroll Expense Tax Return

- Payments to owners of partnerships for services in San Francisco are subject to the Payroll Expense Tax if the payment is made without regard to the income of the partnership and the payment is treated as an income tax deduction for the partnership.

April 16, 2012

- 2011 California BOE Use Tax Return

April 30, 2012

- Form DE 9 – California – EDD - New Quarterly Contribution Return and Report of Wages
- Form 941 – Federal Employer’s Quarterly Tax return

May 31, 2012

- 2011-2012 San Francisco Business Registration

July 31, 2012

- Form DE 9 – Quarterly Contribution Return and Report of Wages
- Form 941 – Federal Employer’s Quarterly Tax return

October 31, 2012

- Form DE 9 – Quarterly Contribution Return and Report of Wages
- Form 941 – Federal Employer’s Quarterly Tax return

TAX DEPOSIT REQUIREMENTS

Federal Payroll Tax Deposit Rules

You should continue to deposit as previously classified as **monthly** or a **semiweekly** depositor.

1. **MONTHLY** - Deposit by the 15th day of the following month.
2. **SEMIWEEKLY**

<u>Payment Days/Deposit Period</u>	<u>Deposit By</u>
Wednesday, Thursday and/or Friday	Following Wednesday
Saturday, Sunday, Monday and/or Tuesday	Following Friday

Semiweekly depositors are allowed at least **3 banking days** to make a deposit. For example, if salaries were paid on Friday and there is a holiday on Monday -- the payroll tax deposit will be due on Thursday (rather than Wednesday). If deposits to a bank are mailed, they should be mailed at least two days prior to the due date to insure receipt by the bank on or before the due date.

If your tax liability for the return period is less than \$2,500, you are not required to make deposits. You may pay the taxes with your quarterly return. This is only available to monthly depositors.

Electronic Funds Deposit Transfer Payment System Requirements (EFTPS)

EFTPS is required for all federal tax deposits. You will be required by California to make electronic funds transfers (EFT) if the payment exceeds \$20,000 or your total annual California tax liability will be more than \$80,000.

California Payroll Tax Deposit Rules

Deposits are required to the California Employment Development Department if Personal Income Tax withholding amounts are more than \$350.

Payment of State Unemployment Insurance (UI), and Employee Training Tax (ETT) is required quarterly using coupon Form DE 88.

Use the latest preprinted version of Form DE 88 to deposit Disability Insurance (SDI) and Personal Income Tax (PIT), Unemployment Insurance (UI) and Employment Training Tax (ETT).

ADDITIONAL RESOURCES

IRS Publication 15 – Circular E, Employer’s Tax Guide-2012 or on the web at www.irs.gov

California 2012 Employer’s Guide or on the web at www.edd.ca.gov

California new hire and contractor forms: <https://eddservices.edd.ca.gov/index.html> or call (888)745-3886

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained herein (including any enclosures or attachments) was not intended or written to be used, and cannot be used, by the taxpayer for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code or applicable state or local law provisions.