

2018 Payroll Tax Guide

This article is intended to be your 2018 payroll tax guide. We have summarized the more significant rules and withholding rates relating to your payroll function. This guide should be used in addition to the Internal Revenue Service and Franchise Tax Board payroll tax publications. The rates and maximums for payroll taxes have changed for the upcoming year.

EMPLOYEE Portions

Type of Tax	Withholding Tax Rate	Maximum Wage	Maximum Tax Withheld
Social Security (FICA)	6.20%	\$ 128,400.00	\$ 7,960.80
Medicare	1.45%	Total Wages	No Limit
Additional tax on wages exceeding \$200,000	0.90%	No Limit	No Limit
CA State Disability Insurance (SDI)	1.00%	\$ 114,967.00	\$ 1,149.67
Federal Personal Income Tax (FIT)	Varies See IRS Pub. 15 (Circular E) Employer's Tax Guide (See Note 1)	Total Wages	No Limit
State Personal Income Tax (PIT)	Varies See EDD Pub. DE 44 (See Note 1)	Total Wages	No Limit

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Medicare	1.45%	Total Wages	No Limit
Federal Unemployment Tax (FUTA)	6.00%	\$ 7,000.00	\$ 42.00
	(Rate reduced by 5.4% state credit, net rate of .6%) CA credit may change, causing retroactive calculations of tax due 1/31/2018 (See Note 2)		
California Unemployment Insurance (SUI)	* 3.4%	\$ 7,000.00	Varies
	* New employers are initially assigned a rate of 3.4%. Rate may change each year based upon CUIC criteria. (See Note 3)		

Note 1

Supplemental wage withholding rates

The federal withholding rate on supplemental wages in excess of \$1 million during a calendar year is 39.6% (or the highest rate of income tax for the year). The California wage withholding rate on bonuses and stock options at all wage levels is 10.23%; for other supplemental wages, the withholding rate is 6.6%.

Note 2

Federal Unemployment Tax (FUTA)

FUTA tax wage base remains at \$7,000 for 2018 with a contribution of 6.0% with a state credit of 5.4%, resulting in a net tax rate of 0.6%. Annually, in November, California is scheduled to make an unemployment insurance payment; if it defaults on this payment, the 2018 credit will be reduced. This credit was reduced to 3.6% resulting in a net tax rate of 2.4% for 2017, for which additional payments will be due by January 31, 2018.

Note 3

California State Unemployment Insurance (SUI) and State Employment Training Tax (ETT)

The maximum payroll per employee subject to California State Unemployment Insurance remains at \$7,000. The SUI, ETT, and SDI tax rates are combined on a single rate notice, Form DE 2088; Notice of Contribution Rates and Statement of UI Reserve Account. The DE 2088 is mailed annually in December. Employers have 60 days from the December 30th mailing date to protest any unemployment insurance figure they believe to be erroneous. The automated 24-hour telephone line that you can call for your SUI rate is 1-800-300-5616.

Deposit Methods and Schedules

Beginning January 1, 2018, employers are required to electronically submit employment tax returns, wage reports and payroll tax deposits to the Employment Development Department (EDD). Employers can now enroll in the EDD e-Services for Business to fulfill these requirements. Federal deposit methods and deposit schedules remain unchanged from last year. Penalties apply for using incorrect payment methods and for filing late, so be sure to check with us if you have any questions.

Independent Contractor(s) for Federal (1099s)

All 1099 Forms must generally be filed with the Internal Revenue Service by February 28, 2018 (April 2, 2018 if filing electronically), however, 1099-MISC forms reporting payments in Box 7 must be filed by January 31, 2018, along with Form 1096, *Annual Summary and Transmittal of U.S. Information Returns*. Submit a separate Form 1096 for each type of 1099 information return you file. Additionally, you are required to furnish statements to recipients containing the information furnished to the IRS by January 31, 2018. Forms 1099-B, 1099-S, and 1099-MISC (only if you are reporting payments in boxes 8 or 14) must be furnished by February 15, 2018. You are required to include the telephone number of a contact person on the statements to the recipients. Use Form W-9, *Request for Taxpayer Identification Number and Certification*, to obtain necessary information from the recipient. Please see our 1099 requirements annual letter for more information.

Report of Independent Contractor(s) for California (DE 542)

All California employers are required by law to report all new employees to the New Employee Registry (NER) within 20 days of their start-of-work date. Any employee who is newly hired, rehired, or returning to work from a furlough, separation, termination, or leave of absence without pay is considered a new employee. Report all new employees on Form DE 34. If you acquire an ongoing business and employ any workers from the acquired company, these employees are considered new employees and must also be reported to the EDD. The EDD may assess a penalty of \$24 for each failure to report the required new employee information (\$490 for intentional disregard).

We appreciate the opportunity to serve you. If you have any questions or would like further clarification or assistance, please call us.