

■ IRS RELEASES NEW 2011 PAYROLL WITHHOLDING TABLES

One of the changes implemented by The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 is a 2% reduction (to 4.2%) in the **employee** tax rate for social security for 2011. The employer tax rate for social security remains unchanged at 6.2%. The 2011 social security wage base limit is \$106,800. In 2011, the Medicare tax rate is 1.45% each for employers and employees, unchanged from 2010. There is no wage base limit for Medicare tax.

Employers should implement the new withholding tables as soon as possible, but no later than January 31, 2011. **We encourage you to implement the new rates with the first payroll of 2011 so that you will not have to make any offsetting corrections.** If you use a software program or payroll service to prepare your payroll, check to make certain the rates have been updated and review your first payroll of 2011 to ensure the changes were applied.

Following is a sample payroll calculation using the newly reduced social security tax for employee only:

Computation of a Sample Payroll Check:

Gross Wages	\$ 1,000.00
Federal Withholding	(10.00)
Social Security-Employee (new rate 4.2%)	(42.00)
Medicare-Employee (remains 1.45%)	(14.50)
Net Check	\$ 933.50

Computation of Payroll Taxes:

Federal Withholding	\$ 10.00
Social Security-Employee (4.2%)	42.00
Medicare-Employee (1.45%)	14.50
Social Security-Employer (6.2%)	62.00
Medicare-Employer (1.45%)	14.50
Total Payroll deposit	\$ 143.00

Please call or contact us if you have questions about this change.

Please visit our website at www.bayliscpas.com

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