

The "Ally Mo" News



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4th Quarter

December 2010

Quarterly Quotes



The reward of a thing well done, is to have done it...
Ralph Waldo Emerson

*You have to accept whatever comes along and the only important thing is that you meet it with the best you have to give...***Eleanore Roosevelt**

Success is a state of mind.If you want success, start thinking of yourself as a success... **Dr. Joyce Brothers**

If you have a quote you would like to share, please e-mail us at gov_liaison@apasanantonio.com

4th Quarter 2010 New Members

Melissa Bonilla

Souper Salad, Inc

Jennifer Aldape

Eye Care Centers of America

Yvette Southee

Eye Care Center of America

Sayuki Goldman

MGR Personnel

Pauline Vallejo

MGR Personnel

Chris Meyers

Kraft Inc

Bill deGraffenried

Kraft Foods Inc

Karen Cole

Integrity Tax Services/Innovative Payroll Services

Nicholle Fields

Integrity Tax Services/Innovative Payroll Services

Brittany Hilbig

Mapco, Inc

Carley Fried

Arts Center Enterprises, Inc

We look forward to seeing you at our next meeting!

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Update: December 2010

Tax Intelligence

2011 Unemployment Taxable Wage Base Update

Situation

A "taxable wage base" is the annual amount of wages paid by an employer to an employee that are subjected to certain payroll taxes. There are three primary employment taxes which are impacted by a wage limit – FICA, FUTA, and state unemployment (SUI) tax. State unemployment taxes are employer-paid taxes and the amount of wages subject to tax varies by state. Employers must consider wage base changes as they budget for 2011 employment tax costs.

Solution

It is important for employers to closely monitor state SUI wage bases. TALX expects states will continue to increase taxable wage bases over the next several years to repay Federal Title XII loans and rebuild state trust funds. Listed below are the actual SUI wage bases for 2011 for all jurisdictions except the Virgin Islands, which is a TALX estimate.

State	Wage Base	State	Wage Base	State	Wage Base
AK	<i>\$34,600</i>	LA	\$7,700	OK	<i>\$18,600</i>
AL	\$8,000	MA	\$14,000	OR	<i>\$32,300</i>
AR	\$12,000	MD	\$8,500	PA	\$8,000
AZ	\$7,000	ME	\$12,000	PR	\$7,000
CA	\$7,000	MI	\$9,000	RI	\$19,000
CO	\$10,000	MN	\$27,000	SC	<i>\$10,000</i>
CT	\$15,000	MO	\$13,000	SD	<i>\$11,000</i>
DC	\$9,000	MS	<i>\$14,000</i>	TN	\$9,000
DE	\$10,500	MT	<i>\$26,300</i>	TX	\$9,000
FL	\$7,000	NC	\$19,700	UT	<i>\$28,600</i>
GA	\$8,500	ND	<i>\$25,500</i>	VA	\$8,000
HI	<i>\$34,200</i>	NE	\$9,000	VI	<i>\$22,300 (1)</i>
IA	<i>\$24,700</i>	NH	<i>\$12,000</i>	VT	<i>\$13,000</i>
ID	\$33,300	NJ	<i>\$29,600</i>	WA	<i>\$37,300</i>
IL	<i>\$12,740</i>	NM	<i>\$21,900</i>	WI	<i>\$13,000</i>
IN	<i>\$9,500</i>	NV	<i>\$26,600</i>	WV	\$12,000
KS	\$8,000	NY	\$8,500	WY	<i>\$22,300</i>
KY	\$8,000	OH	\$9,000	FUTA	\$7,000 (2)

Red Italics – Denotes increase in the unemployment taxable wage base over 2010

Green Italics – Denotes decrease in the unemployment taxable wage base over 2010

- (1) TALX estimate, assuming no legislative change.
- (2) Actual, assuming no legislative change; however, there is strong support to increase the wage base. Should the Federal wage base (FUTA) increase, all states with a lower wage base will be required by law to match the Federal wage base.

Value

Increases in taxable wage bases are only one of the factors that will impact unemployment tax costs in the coming years. Changes in rate tables, solvency assessments to pay for Title XII loan interest, federal unemployment tax (FUTA) credit reductions, and a possible increase in the FUTA wage base (and required increase in state wage bases) will each have an impact on these costs. In addition, legislation such as the possible 13-month extension of extended benefits must be considered. Understanding the effect of these measures is key to ensure accurate budgeting for and minimizing of these costs.

TALX will be conducting a webcast titled *Unemployment Compensation Briefing – Planning for 2011* on December 15th and 16th to assist employers in understanding the current unemployment landscape. For more information, please contact Pete Krieshok at (314)214-7325 or pkrieshok@talx.com. You can also visit our corporate blog at <http://blog.talx.com>.

Compliance Update *Source: American Payroll Association*

Congress Passes Tax Relief Bill With 2% Employee Social Security Tax Reduction; IRS Issues 2011 Withholding Tables

Just before midnight on December 16, the House of Representatives passed H.R. 4853, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Tax Relief Act of 2010), one day after passage by the Senate. The bill has been sent to President Obama, and he is expected to sign it during the afternoon of Friday, December 17. When signed, the law will continue the Bush-era tax rates, which were set to expire on December 31, 2010, for two years, through December 31, 2012.

The law will also reduce the social security tax rate paid by employees from 6.2% to 4.2% for wages paid in 2011 and continue several expiring payroll-related tax breaks, including non-job-related employer-provided educational assistance, adoption assistance, qualified mass transit and van pool benefit parity with employer-provided parking, and the Work Opportunity Tax Credit.

Also on December 17, the IRS released Notice 1036, which contains the percentage method tables for federal income tax withholding from wages paid in 2011. In a news release, the IRS said it recognizes that the late enactment of the Tax Relief Act makes it difficult for many employers to update their withholding systems for the first payroll of 2011. Therefore, the IRS is asking employers to update their payroll systems as soon as possible, but not later than January 31, 2011. For any social security tax overwithheld during January because of the rate change, employers should make an adjustment in employees' pay as soon as possible, but not later than March 31, 2011. [Notice 1036](#) has been posted on the APA website.

Tax rates for Individuals

Under the Tax Relief Act of 2010 (TRA 2010), the current tax rates of 10%, 15%, 25%, 28%, 33%, and 35% will stay in effect beyond their expiration date of December 31, 2010, for two years, through December 31, 2012. Had TRA 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.

Having certainty as to the tax rates, brackets, and standard deduction amounts for 2011 should allow the IRS to issue income tax withholding tables and Form W-4 for 2011 very soon after TRA 2010 is signed into law, so that payroll professionals, payroll service providers, and payroll software vendors can prepare for the first payroll of 2011. The new tables and forms will be made available on APA's website as soon as they are released by the IRS. It should also allow the IRS to issue Publication 1494, *Tables for Figuring Amount Exempt from Levy on Wages, Salary, and Other Income*.

Compliance Update
Source: American Payroll Association
(con't)

Reduction in employee social security tax rate

TRA 2010 makes a major change in the withholding of social security taxes from employees' wages by reducing the employee share of social security tax from 6.2% to 4.2% for the first \$106,800 of wages paid in 2011. The maximum that can be withheld will be \$4,485.60, a \$2,136 decrease from the 2010 maximum of \$6,621.60.

Employers will continue to pay the full 6.2% of their employees' covered wages paid in 2011 for their share of social security taxes. Remember that the HIRE Act, which exempted employers from paying their share of social security taxes on the wages of certain employees who were newly hired after February 3, 2010, and before January 1, 2011, does not apply to wages paid after December 31, 2010.

Self-employed individuals, who currently pay 12.4% of their income in social security taxes, will pay 10.4% up to the \$106,800 wage base. Also, employees covered by the Railroad Retirement Tax Act will see a reduction in their Tier I withholding tax from 6.2% to 4.2%.

Other expiring provisions extended

TRA 2010 also provides for the extension of several other payroll-related provisions that were set to expire on December 31, 2010, or sometime during 2011:

- *Employer-provided educational assistance* – The income exclusion for up to \$5,250 of employer-provided undergraduate and graduate educational assistance under IRC §127 is extended for two years, through December 31, 2012.
- *Parity for mass transit benefits* – The increase in the maximum monthly income exclusion for employer-provided mass transit and vanpool benefits to the same amount as employer-provided parking benefits (\$230 for 2010) is extended for one year, through December 31, 2011. The IRS should announce the 2011 monthly maximum for both benefits very soon.
- *Adoption assistance* – The income exclusion for up to \$13,170 of employer-provided adoption assistance in 2010 (\$13,360 in 2011) is extended for one year, through December 31, 2012.
- *Child tax credit* – The increase in the maximum child tax credit for individuals with income below certain thresholds from \$500 to \$1,000 is extended for two years, through December 31, 2012. Employees can claim additional allowances on Form W-4 based on their eligibility for the credit.
- *Dependent care credit* – The increase in the maximum child care expenses that qualify for the dependent care tax credit from \$2,400 for one child and \$4,800 for two or more to \$3,000 and \$6,000 respectively is extended for two years, through December 31, 2012. Employees can claim additional allowances on Form W-4 based on their eligibility for the credit.
- *Work Opportunity Tax Credit* – The Work Opportunity Tax Credit is extended for four months, through December 31, 2011, and is effective for employees hired after the date TRA 2010 is enacted.

No more HIRE Act or Making Work Pay Credit

Under the Hiring Incentives to Restore Employment (HIRE) Act, which was enacted in March 2010, employers get a social security tax exemption for the employer share of social security tax on wages paid to new employees from March 19-December 31, 2010, who were hired from February 4-December 31, 2010, after having been employed for no more than 40 hours in the previous 60 days. The HIRE Act's social security exemption has not been extended, so it does not apply to any wages paid after December 31, 2010.

In February 2009, the American Recovery and Reinvestment Act (ARRA) provided for the Making Work Pay Credit – an income tax credit of \$400 for single individuals and \$800 for married couples filing jointly – that was paid out through reduced federal income tax withholding for 2009 and 2010. The MWP credit expires on December 31, 2010, and the tax tables for 2011 will reflect that expiration with a slight increase in withholding.

Compliance Update
Source: American Payroll Association
(con't)

IRS Increases Business Mileage Rate to 51 Cents for 2011

The IRS has announced that the business standard mileage rate for transportation expenses paid or incurred beginning January 1, 2011, will be 51 cents per mile, up from the 50 cents-per-mile rate in effect during 2010 [IR-2010-119, released 12-3-10; www.irs.gov/pub/irs-news/ir-10-119.pdf].

The mileage rate may be used to compute the deductible cost of operating a passenger car (also vans, pickups, or panel trucks) for business purposes. It may also be used by employers that elect to use the "cents-per-mile" valuation method for purposes of determining the amount that needs to be imputed to an employee's income for personal use of certain company-owned or leased nonluxury vehicles (see *The Payroll Source*®, p. 3-22).

In addition, the 2011 standard rate for miles driven for medical or moving purposes will increase to 19 cents per mile, up from the 16.5 cents-per-mile rate in effect during 2010.

Finally, the standard mileage rate for operating a passenger car for charitable purposes, which is set by law, will stay at 14 cents per mile in 2011.

2011 Payroll Source Guide

The AlamoChapter is once again offering a discount on the 2011 Payroll Source Guides!

The discount grows as the number of orders grows so the final purchase price can not be determined until all orders are received. The AlamoChapter will charge no more than a maximum of \$251.69 (which includes \$219.95 for the book plus shipping/handling and applicable sales tax).

The price will decrease depending on how many books are ordered. The following are the APA volume discount percentages, which will be used to figure the discounted price of the books:

05 - 09 books 10% discount

10 - 20 books 20% discount

21 - 40 books 25% discount

41 - 999 books 30% discount

The deadline to submit your order is January 21st at 5:30pm.



To place your order, [CLICK HERE](#) and register for the event. A \$50.00 deposit will be required.

The Alamo Chapter does not use this event to raise funds but passes along all discounts to the members.

Please note: *When ordering and paying a deposit of \$50 for the Payroll Source book is the same as a written agreement to pay the balance due at the time of delivery.*

Karen's Wonder-full World

and it definitely is a World full of Wonder. It is also a World full of things that make you Wonder.

Karen Brown

We all understand the importance of accurate paperwork when it comes to Payroll and Human Resources. The better the new hire paperwork is, the easier our job is. Some of you know that prior to coming to KCI USA, Inc. I worked payroll for 7 years at a local pizza franchise. Let me tell you, my son, Justin, really paid the price, and I don't mean in pizzas. Ever since he was 12 years old he has known how to answer most of the questions on an application, I-9 and W-4. These 3 very important documents, if not complete, can cause a Payroll or HR Professional to pull their hair out.

Now remember, in the fast food business you are dealing with the occasional older person, a few young people, but mostly teenagers. The large majority of these it is their first job. So the fun begins.

For example, I had a young woman whose Social Security number kicked back on the submitted New Hire Report. I pulled her paperwork to verify what I had entered, thinking maybe I made a typographical error. Who me? I always entered from the W-4, verifying with the SS card, if provided. In this case, the young woman had fulfilled her I-9 requirement with her High School picture ID and her Birth Certificate. Neither confirmed her SS#. I pulled her application and there was a different number listed, so I checked her I-9 and it had yet another number. Nowhere in her paperwork had she written her SS# the same way twice. All were different. When I called her, she couldn't even tell me her number. My solution, she had to provide me a SS card. [send this code (JUSTIN#1) to me by 01/19/11 to be entered into a contest for a special prize] Naturally, she had to apply for a lost SS card to show me.

What did I do next? I went home to my son and asked him, "Justin, what is your SS#?"

Next comes the marital status. Whoa!!! I really had fun with this; I even had a list going. I don't know what I've done with it now, but I kept it for a long time. Every time I needed a chuckle I would bring it out. I had 2 columns on an 8 ½ X 11 page and tried not to write the same one down twice. So there were dozens.

Naturally, there was the normal, single, married and sometimes divorced or just the letter to represent it. Then came the variations in spelling, Singal, Sengal, Merried. But the most fun were the outrageous ways these kids, and sometimes adults, could complete this very simple, everyday, nothing difficult about it element. Maybe you've seen some of these yourself.

Engaged

Married, but not for much longer!

Available

Have a girlfriend

Happily Married

Not interested

Still live with parents

Common-law

NO!

Currently single, getting married on 00/00/00

Married, 5 years

Married 20+ years, same woman

My all-time favorite was: Single, but still looking!

Next stop? You guessed it. "JUSTIN!!!! What is your marital status?" Keep in mind, my son was only 13 or 14 at the time. He looks at me with a "Mom's nuts!" look on his face and questioning answers "Single?"

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Justin contemplating life.....

Alamo Chapter Calendar

Monthly Luncheon

JANUARY 20, 2011

New Privacy & Security Laws for the Payroll Professional
Roxanne Whit

FEBRUARY 17, 2011

The Emotional Intelligence: The Human-and-Distinguishing-Dimension of Leadership and Client Relationship
Jonathan Morse – Center For Success

MARCH 17, 2011

Employment Law Alert: What has happened and happening that you need to know
Dan Stern – Cox & Smith

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