

# SENSIBA SAN FILIPPO LLP

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

We have prepared the following summary of the 2010 payroll withholding rates, depository rules, and other reporting. You should keep this letter as a handy reference guide even if you are using an outside payroll service.

## Payroll Withholding Rates

### EMPLOYEE WITHHOLDING:

Social Security (FICA)	-- 6.2% of wages to \$106,800	Maximum	\$6,621.60
Medicare Tax	-- 1.45% of wages	No maximum	
State Disability (SDI)	-- 1.1% of wages to \$93,316	Maximum	\$1,026.48

### EMPLOYER PORTION:

Social Security (FICA)	-- Same as employee withholding above
Medicare Tax	-- Same as employee withholding above
State Unemployment (UI)	-- Your assigned % of first \$7,000 for each employee
Fed Unemployment (FUTA)	-- 0.8% of first \$7,000 for each employee
Employment Training Tax (ETT)	-- 0.1% of first \$7,000 for each employee

## Depository Rules

### Federal

**Amount Due:** Federal Income Tax plus 2 times the FICA and Medicare Tax withheld.

**Where:** If you are required to make deposits to your bank: Make the deposit at any authorized bank using a coupon from the blue coupon booklet Form 8109, Federal Tax Deposit (FTD) Coupon. You must indicate what type of tax you are paying (ie: 941 or 940). If you do not receive your supply of FTD coupons, call (800) 829-1040. A late payment will be subject to a penalty.

If you are required to make electronic deposits: You must make electronic deposits of all depository tax liabilities that occur in 2010 if the total of all your Federal tax deposits (such as deposits for employment tax, excise tax, and corporate income tax) in 2009 were more than \$200,000, or you were required to deposit electronically in 2009. The Electronic Federal Tax Payment System (EFTPS) must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you will be subject to a 10% penalty.

**When:** **Form 941 Deposits** -- Employers are responsible for determining their status either as a MONTHLY depositor or SEMI-WEEKLY depositor. Your deposit schedule for a calendar year is determined from the total taxes reported on your original Forms 941, line 11, in a

four-quarter lookback period. The lookback period for 2010 begins July 1, 2008 and ends June 30, 2009. If you reported \$50,000 or less of taxes for the look back period, you are a monthly schedule depositor. If you reported more than \$50,000 you are a semi-weekly schedule depositor.

**Monthly depositors** must deposit employment taxes accumulated with respect to wages paid during a calendar month on or before the 15<sup>th</sup> day of the following month. All new employers as a general rule will be monthly depositors. Any monthly depositor who accumulates federal employment tax of \$100,000 or more on any day during a deposit period must deposit the taxes due by the next banking day. The employer will then become a semi-weekly depositor automatically.

**Semi-weekly depositors** must deposit employment taxes as follows:

<u>Payment date/Semi-weekly period</u>	<u>Deposit date</u>
Wednesday, Thursday or Friday	On or before the following Wednesday
Saturday, Sunday, Monday or Tuesday	On or before the following Friday

**One-day depositors** are employers whose employment tax liability accumulates \$100,000 or more on any day during a deposit period (either a calendar month for monthly depositors, or during a semi-weekly period for semi-weekly depositors), and then the accumulated employment tax liability must be paid by the next banking day.

Employers must deposit 98% of the liability due by the deposit date. Monthly depositors must pay any "shortfall" by the due date of the quarterly tax return. Semi-weekly depositors must pay any "shortfall" by the first Wednesday or Friday (whichever is earlier) falling on or after the 15th day of the month following the month in which the deposit was due, or the due date of the 941 if earlier.

**Form 940 Deposits** -- If your FUTA tax liability for a quarter is \$500 or less, you do not have to deposit the tax. Instead, you may carry it forward and add it to the liability figured in the next quarter to see if you must make a deposit. If your FUTA tax liability for any calendar quarter in 2009 is over \$500 (including any FUTA tax carried forward from an earlier quarter), you must deposit the tax by electronic funds transfer (EFTPS) or in an authorized financial institution using Form 8109, Federal Tax Deposit coupon, depending on your deposit method.

**California**

**Amount Due:** Personal Income Tax (PIT), State Disability Insurance (SDI), Employment Training Tax (ETT), and Unemployment Insurance (UI).

**Where:** Send check to Employment Development Department **for all payments, with California Form DE-88 unless payments are made by electronic funds transfer (EFT).**

**EFT:** An employer who made payroll tax deposits averaging \$20,000 or more during the prior fiscal year (July 1, 2008 to June 30, 2009) is required to use the EFT method of payment. The Employment Development Department's EFT Unit can be contacted at (916) 654-9130 for more information.

**When:** If you are required to make inter-quarter deposits by the IRS and undeposited PIT exceeds \$400, deposit PIT and SDI withheld on the same day the federal tax deposit is paid. If you are not required to make inter-quarter deposits by the IRS and undeposited PIT withheld exceeds \$350, you must deposit the PIT and SDI by the 15th of the following month. If you do not meet either of the foregoing requirements, deposit all PIT and SDI withheld by the last day of the month following the end of the quarter.

**All ETT and UI must be deposited by the last day of the month following the end of the quarter. If you are required to file under the electronic funds transfer (EFT) please consult with your bank regarding number of days needed to process your deposit.**

**Additional Reporting Requirements**

**Form I-9**

The law requires that Form I-9, Employment Eligibility Verification Form be completed for new employees. Forms are available by calling the INS forms request line at (800) 870-3676, or at the INS website at [www.INS.gov](http://www.INS.gov). They are also available at any INS office.

**Form W-4**

The IRS and Employment Development Departments require that all W-4's claiming 11 or more withholding allowances or claiming exemption from withholding (and wages are to exceed \$200 per week) must be sent to the IRS and EDD along with Form 941 and Form DE-6 at the quarter end.

The IRS requires that new Forms W-4 be completed before February 15, 2010 for those claiming exemption from withholding.

**California Form DE 34**

Employers must report employees who are newly hired or rehired to the EDD within 20 days of their start of work using California Form DE 34. An inquiry line (916) 657-0529 has been established to provide information about this reporting requirement.

**Bonus and Stock Options**

In 2002, California required employers who are paying bonuses and stock options which are considered wages to their employees, to withhold Personal Income Tax (PIT) starting from January 1, 2003. Please let us know if this is applicable to you for additional information.

Should you have any questions regarding the above information, please do not hesitate to contact us.