

URGENT PAYROLL TAX CHANGES

MAKE SURE YOU DO A PAYROLL UPDATE IN QUICKBOOKS ASAP!!!

HIRE ACT

The HIRE ACT expires December 31, 2010 so you can have new employees stop filling out Form W-11. However if you hired anyone in the last couple of weeks of December who qualify, make sure you don't miss out on those. If you don't pay them until January 2011, you won't get the Payroll Tax Exemption, but if you retain them for 52 consecutive weeks, you'll still get the Retention Credit of up to \$1,000 on your 2011 business tax return.

SOCIAL SECURITY RATE REDUCTION FOR EMPLOYEES

While employers no longer get the tax break on payroll taxes from the New HIRE ACT, now the employees get a cut, or so they say. The Social Security Rate dropped from 6.2% to 4.2%. The government is calling this a "2% raise"; however the federal withholding tax tables increased so your employees bring home pay won't increase by much. The employers still have to pay in the 6.2%.

CHANGES IN FEDERAL UNEMPLOYMENT

As you know, employers are required to pay State Unemployment (SUTA) and Federal Unemployment (FUTA). The FUTA rate is 6.2%...if this seems high, you are correct. For paying your SUTA on time and in full, you get a discount of 5.4% which drops your FUTA rate to 0.8%.

The Social Security Act requires a reduction in the FUTA tax credit when a state has outstanding federal loans for two consecutive Januarys, as South Carolina has had. The reduction in the FUTA tax credit is .3% for the first year and an additional 0.3% for each succeeding year until the loan is repaid. This means an overall increase in the FUTA tax. The FUTA cutoff is \$7,000 in wages so this equals an increase of \$21 per employee.

Since South Carolina will be unable to repay all outstanding loans by this year, the FUTA credit reduction will become effective retroactive to January 1, 2010 and will be due by January 31, 2011.

Just an FYI: SC is on a short list. It is only one of three states that are causing its employers to pay this increase...Indiana and Michigan are the other two.

CHANGES IN STATE UNEMPLOYMENT

Beginning January 1, 2011 employers will pay SUTA on the first \$10,000 of payroll for each employee. This has been \$7,000 in the past. Along with increases to employer's base rates and the already existing contingency assessment, there will be an interest surcharge. Also, the due dates are changing. Beginning this year, reports must be filed 15 days after the quarter ends. So 1st Qtr. 2011 is due April 15, 2011; 2nd Qtr. 2011 is due July 15, 2011; 3rd Qtr. 2011 is due October 15, 2011; and 4th Qtr. 2011 is due January 15, 2012. So instead of having until the end of the month to pay, you must pay by the 15th!

A public hearing on agency regulatory changes has been scheduled for 9-11 a.m. Jan. 28 in the Foster Auditorium at the S.C. Department of Employment and Workforce office, 631 Hampton St. in Columbia.

If you cannot attend the meeting but would still like to voice your concerns about the above changes, you can write to the following:

Erica Von Nessen
Executive Director's Office
1550 Gadsden St.
Columbia, SC 29202

As mentioned at the beginning: DO A PAYROLL UPDATED AS SOON AS POSSIBLE IN QUICKBOOS!!! It will handle most of these changes. The only item you will need to change is the state unemployment. Those rates are scheduled to be out by January 31st.