



Federal & California Payroll Tax Requirements

2013 Federal Payroll Tax Rates

New Federal Income Tax withholding tables will be issued for 2013. This information will be included in IRS Publication 15 (Circular E).

FICA and Medicare – Employer & Employee			
TAX	FICA	MEDICARE	ADDITIONAL MEDICARE
Employee Wage Limit	\$0 to \$113,700	\$0 to \$200,000	Over \$200,000
Employer Wage Limit	\$0 to \$113,700	None	N/A
Employer & Employee Tax Rate	6.2% (0.062)	1.45% (0.0145)	N/A
Employee Tax Rate - Medicare Tax Rate for Wages in Excess of \$200,000	N/A	N/A	1.45% + 0.9% = 2.35% (0.0235)
Employee Maximum Tax	\$7,049.40	\$2,900.00	No Limit
Employer Maximum Tax	\$7,049.40	No Limit	N/A

For wages paid to each employee up to \$113,700, the combined FICA and Medicare rate is 7.65% (.0765). For wages paid to each employee in excess of \$113,700, only the Medicare rate of 1.45% (.0145) applies. For wages paid to each employee in excess of \$200,000, the employer is required to withhold an additional 0.9% (0.009) for a total Medicare rate of 2.35% (0.0235). There is no employer matching for the additional 0.9% in Medicare tax.

Federal Unemployment Insurance (FUI)	
Wage Limit	\$7,000
Tax Rate	0.6% (.006)*
Maximum Tax (Generally)	\$42*

*The FUI tax rate is 6.0% on the first \$7,000 of each employee's wages. Typically, an employer receives a tax credit of 5.4% if their state unemployment contributions are paid timely. The 5.4% tax credit results in an effective FUI tax rate of 0.6% (0.006). However, beginning with the second consecutive year that a state does not pay back their loans an additional 0.3% (0.003) is added to their FUI tax rate. For three consecutive years, California has had an outstanding balance on federal loans used to pay the unemployment benefits. As a Credit Reduction state, California employers should plan on an additional FUI tax assessment of 0.3% (0.003) if federal loans remain unpaid on November 10, 2013. Consequently, its tax credit could decrease from 5.4% to 4.5% (5.4% less 0.9%) resulting in an effective FUI tax rate of 1.5%, or 0.015 (6.0% - 5.4% plus 0.9%) for a maximum tax of \$105 for California employers. We will keep you apprised of further changes.

Contact us at taxalerts@windes.com

2013 California Payroll Tax Rates

New California Income Tax Withholding schedules have been issued for 2013. This information can be found in the California Employer's Guide (Publication DE 44).
The publication will no longer be mailed except upon request.

State Disability Insurance (SDI) / State Unemployment Insurance (SUI) & Employee Training Tax (ETT)			
	SDI	SUI	ETT
Wage Limit	\$0 to \$100,880	\$0 to \$7,000	\$0 to \$7,000
Tax Rate	1.0%	1.5% to 6.2%	0.1% or Zero
Maximum Total	\$1,008.80	\$105.00 - \$434.00	\$7.00 or Zero

The SUI rate is assigned to employers based on experience. The Employment Development Department (EDD) sends Form DE 2088, Notice of Contribution Rates and Statement of UI Reserve Account to all employers in December informing them of their SUI rate. The notice will also indicate whether the employer's ETT rate is 0.1 percent or zero.

2013 Federal Payroll Tax Requirements

Federal Deposit Requirements for 2013:

1. **Depositing Taxes:** Effective January 1, 2011, all employers are required to make their federal tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS). An employer may be subject to a 10% penalty if required to use EFTPS and fails to do so. When using EFTPS, be sure to indicate the type of tax and the tax period against which the deposit is to be applied:

Type of Tax: Form 941 for FICA, Medicare, and withheld income tax

Tax Period: The calendar quarter in which the payments are withheld, not the quarter in which the deposit is made

2. **In General:** An employer is either (1) a monthly depositor or (2) a semi-weekly depositor. The IRS will notify you of your deposit status only if there is a change in your deposit schedule. You are classified as a monthly or semi-weekly depositor based on the total taxes reported on Form 941 for the prior four quarters ending on June 30 of the preceding year (the look-back period). If you reported \$50,000 or less of employment taxes for the look-back period, you

are a monthly depositor; if you reported more than \$50,000 of employment taxes during this look-back period, you are a semi-weekly depositor for the current year (but see the \$100,000 and \$2,500 deposit rules below).

3. **\$100,000 Next-Day Deposit Rule:** If you accumulate taxes of \$100,000 or more on any day in a deposit period, the taxes must be deposited by the close of the next business day. This rule applies to both monthly and semi-weekly depositors. The deposit period is a calendar month for a monthly depositor and Wednesday through Friday and Saturday through Tuesday for a semi-weekly depositor. Any monthly depositor who becomes subject to this \$100,000 next-day deposit rule immediately becomes a semi-weekly depositor for the remainder of 2013 and for 2014.
4. **Semi-weekly Depositor Rule:** Deposits of employment and other taxes withheld are due on Wednesday and/or Friday, depending on the day of the week that the payments are made:

Payment Days/Deposit Periods	Deposit Due Dates
Wednesday, Thursday and/or Friday	Following Wednesday
Saturday, Sunday, Monday and/or Tuesday	Following Friday
Note: EFTPS payments must be scheduled at least one calendar day prior to the tax due date (before 5:00 p.m. PT).	

If a quarter ends in the middle of a deposit period, any taxes relating to payments made for the quarter just ended must be deposited separately from any taxes relating to payments made for the new quarter.

5. **Monthly Depositor Rule:** The employment and other taxes withheld on payments made during a calendar month must be deposited by the 15th day of the following month.
6. **\$2,500 Quarterly Deposit Rule:** If you accumulate less than a \$2,500 tax liability during either the current quarter or the preceding quarter and you were not subject to the \$100,000 next-day deposit rule during the current quarter, you are not required to make a deposit. You may pay the tax when you file your quarterly return.
7. **New Employers:** New employers are monthly depositors for the first year of their business (but see the \$100,000 next-day deposit rule exception above).
8. **Deposits on Business Days Only:** If a deposit is required to be made on a day that is not a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. In addition, a special rule is provided for semi-weekly depositors to allow them at least three business days to make a deposit.

FUI Deposit Requirements for 2013:

1. **Depositing Taxes:** Effective January 1, 2011, all employers are required to make their FUI tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS). An employer may be subject to a 10% penalty if required to use EFTPS and fails to do so. When using EFTPS, be sure to indicate the type of tax and the tax period against which the FUI deposit is to be applied:

Type of Tax: Form 940

Tax Period: The fourth calendar quarter of the tax year

2. **In General:** At the end of any calendar quarter, if your cumulative undeposited FUI tax exceeds \$500, a deposit is due by the end of the month following the quarter-end. Amounts of \$500 or less can be deposited or can be paid with annual Form 940 by January 31. If the due date is not a business day, the deposit is considered to have been made timely if it is made by the close of the next business day.

2013 California Payroll Tax Requirements

California Deposit Requirements for 2013:

1. **Depositing Taxes:** All tax payments must be submitted with a Payroll Tax Deposit coupon (Form DE 88) unless payments are made electronically. Employer contributions of UI and ETT are due quarterly. California Personal Income Tax (PIT) and SDI withholdings are due based on each employer's federal deposit schedule and the amount of accumulated PIT the employer has withheld. An employer will be subject to a penalty of 10% plus interest on late payroll tax payments.
2. **\$100,000 Next-Day Deposit Rule:** If at any time you accumulate \$100,000 or more in federal employment taxes AND have accumulated more than \$500 in PIT withholding, you are required to deposit all state withholding taxes (SDI and PIT) by the next business day. Once you make a next business day deposit, you become a semi-weekly depositor for the remainder of 2013 and 2014.
3. **Semi-weekly Deposits:** If you are a semi-weekly depositor for federal purposes AND have accumulated more than \$500 in PIT withholding during one or more payroll periods, you must make state deposits on the same dates as required for federal purposes.

4. **Monthly Deposits:** If you are a monthly depositor for federal purposes AND have accumulated more than \$350 in PIT withholding during one or more months of a quarter, you must make state deposits on the same dates as required for federal purposes.
5. **Quarterly Deposits:** If you are required to deposit quarterly for federal purposes AND have accumulated \$350 or more in PIT withholding, you must make state deposits by the 15th day of the following month.
6. **Electronic Funds Transfer (EFT):** If your **average** deposit for SDI and PIT was \$20,000 or more for the period from July 1, 2011, to June 30, 2012, you are required to remit all SDI and PIT deposits for 2013 by EFT, regardless of the dollar amount. This requirement is determined each year. Therefore, if you were required to utilize EFT in 2012, you are not automatically required to do so in 2013.

2013 California Reporting Requirements

California Reporting Requirements for 2013:

1. **Quarterly Contribution Return and Report of Wages (Form DE 9), and Quarterly Contribution Return and Report of Wages (Continuation) (Form DE 9C):** Starting with the first quarter of 2011, California employers no longer file Form DE 6, Quarterly Wage and Withholding Report, or Form DE 7, Annual Reconciliation Statement. Instead, employers now file form DE 9, Quarterly Contribution Return and Report of Wages, and Form DE 9C, Quarterly Contribution Return and Report of Wages (Continuation).

Form DE 9 is filed quarterly to report UI, and ETT employer contributions, along with SDI and PIT withholding. Form DE 9C is also filed quarterly to report detailed wage items for each worker.

2. **Report of New Employee(s) (DE 34):** Any employee who is newly hired, rehired, or returning to work from a furlough, separation, termination, or leave of absence without pay is considered to be a new employee and must be reported to the EDD within 20 days of the employee's start-of-work date. 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 to be newly hired and must also be reported to the EDD on Form DE 34.

3. **Report of Independent Contractor(s) (DE 542):** Report to the EDD within 20 days of either making payments totaling \$600 or more or entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. Report all independent contractors on Form DE 542.

If you have any questions regarding payroll tax or reporting requirements or would like to discuss your specific tax needs, please give us a call at (562) 435-1191, (949) 271-2600, (310) 316-8130, (213) 239-9745, or taxalerts@windes.com.

To view our quarterly newsletter, *SOLUTIONS*, please visit our website at www.windes.com.

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