



# 2012 EasyPay<sup>SM</sup> Tax Changes

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Dear Valued ADP<sup>®</sup> Client,

Beginning with your first payroll with checks dated in 2012, you and your employees may notice changes in your paychecks due to updated 2012 federal and state tax requirements. This document will help you understand these changes and help you to explain them to your employees.

- ✓ For the most up-to-date information, refer to the following Web site, which provides access to informative tax links:  
<http://www.adp.com/tools-and-resources/compliance-connection.aspx>.
- ✓ Please note this document reflects only tax changes of which we were notified by tax agencies as of December 20, 2011. Any changes we receive after that date are not included in this document, but will be reflected in future 2012 payrolls.

This information will be helpful to you and your employees as you prepare for your first payroll of the new year. As always, your ADP Client Service team is available to assist you with any other questions.

The need to monitor tax regulations such as this is a reminder why so many businesses like yours choose ADP, the world's leading payroll provider for over 60 years. We appreciate the opportunity to serve your payroll needs and look forward to working with you in 2012.

Sincerely,

Your ADP Service Team

\*This information is provided solely as a courtesy and not as legal or tax advice. Your tax professional and/or legal counsel should be consulted for updates that may have an impact on your organization and specific facts related to your business.

## FICA

As you know, the FICA tax consists of two parts—Social Security and Medicare. For 2012:

- The taxable limit for Social Security has increased to \$110,100, and there is no taxable limit for Medicare.
- The tax rate for the employee portion of Social Security remains at 4.2% through February 29, 2012.\*
- The employer portion will remain at 6.2% and the tax rate for Medicare will remain at 1.45%.

Tax	Taxable Limit	Rate	Max Amount Withheld
Social Security (Employee)	\$110,100.00	4.2%*	\$4,624.20*
Social Security (Employer)	\$110,100.00	6.2%	\$6,826.20
Medicare	No Limit	1.45%	No Limit

\* As of December 27, 2011, the employee rate of 4.2% is effective through February 29, 2012, after which the rate would increase to 6.2%. The reduced tax rate may be extended through 2012.

- ✓ Employees who reached their Social Security limit in 2011 will see this tax start again on their first payroll with a 2012 check date.

## Federal income tax withholding

The annual withholding allowance for each dependent has increased to \$3,800.00 for 2012. The tables for Federal withholding have also been updated based on the 2012 withholding rates.

The supplemental wage rate remains at 25% for earnings of \$1,000,000.00 and under; for earnings over \$1,000,000.00, the rate is 35%.

## Federal unemployment rate

For 2012, the FUTA rate will be 0.6%. This is calculated by taking the full FUTA rate of 6.0% minus 5.4% (maximum credit assumed) = 0.6%

## Federal Earned Income Credit (EIC)

Employees eligible for the Earned Income Credit in 2012 will need to apply for it when filing their 2012 federal tax return.

## Federal Parking/Transit and Adoption Assistance limits

Effective January 1, 2012, the following changes will take effect:

- The monthly Qualified Parking limit will increase to \$240.00 from \$230.00. The Transit Pass limit will decrease to \$125.00 from \$230.00
- The Adoption Assistance maximum amount that can be excluded from an employee's gross income will decrease to \$12,650.00 from \$13,360.00. This includes all adoption types, including special-needs children.

## Deferred compensation and pension plan limits

The 2012 annual contribution limits for deferred compensation and pension plans are listed below.

Plan	2012 Contribution Limit	2012 Catch-Up Limit*
401(k)	\$17,000.00	\$5,500.00
SIMPLE 401(k)	\$11,500.00	\$2,500.00
Roth 401(k)	\$17,000.00	\$5,500.00
Roth SIMPLE 401(k)	\$11,500.00	\$2,500.00
SIMPLE IRA	\$11,500.00	\$2,500.00
403(b)	\$17,000.00	\$5,500.00
403(b) 15 year service	\$ 3,000.00	N/A
Roth 403(b)	\$17,000.00	\$5,500.00
Roth 403(b) 15 year service	\$ 3,000.00	N/A
408(k) (SARSEP)	\$17,000.00	\$5,500.00
457	\$17,000.00	\$5,500.00
501(c)	\$17,000.00	N/A

\* Catch-up amounts apply to employees who are 50 years old or older and have elected to contribute additional amounts to their deferred compensation plans.

- ✓ Employees may contribute to a deferred compensation plan through both pre-tax (regular) and post-tax (Roth) deductions. For example, if an employee participates in a 401(k) plan and has both types of deductions, the maximum combined contribution is \$17,000.00.
- ✓ Our payroll system tracks the limit amounts and stops at the maximum shared limit for regular and Roth contributions. Employees who reached their limits in 2011 will have their contributions recommence on their first 2012 payroll.

## State income tax withholding

The following states will experience state withholding changes because the calculation of their state withholding is based on the federal withholding that will be changing. (For example, if a state's withholding is simply 2% of the federal withholding, it will increase because the federal withholding has increased; the state's tax *laws* did not necessarily change):

Iowa            North Dakota

The following states have announced 2012 state income tax changes:

California      Connecticut      Delaware      District of Columbia  
 Kentucky      Maine            Minnesota      New Mexico  
 New York      Oregon            Vermont

- ✓ To learn more about state income tax requirements, refer to the following Web site:

<http://www.adp.com/tools-and-resources/compliance-connection/state-taxes.aspx>.

## Employee-paid state unemployment and disability

State	Taxable Limit	Rate	Maximum Deduction
Alaska Unemployment	\$35,800.00*	0.66%*	\$236.28*
California Disability	\$95,585.00	1.00%*	\$955.85*
Hawaii Disability	\$884.29/week \$45,983.08/yr	0.5%	\$4.42/week
New Jersey Unemployment and Disability**	\$30,300.00*	.625%	\$189.38*
New Jersey Paid Family Leave	\$30,300.00*	0.06%	\$18.18*
New York Disability	No limit	60¢/week	\$31.20
PA Unemployment	No limit	.08%	Unlimited
Rhode Island Disability	\$60,000.00*	1.20%*	\$720.00*

\* Change for 2012

\*\* Does not include NJ-FLI

- ✓ Employees who reached their employee-paid limit in 2011 will see this tax start again on their first payroll of 2012.

## State unemployment taxable limits

State	Taxable Limit	State	Taxable Limit	State	Taxable Limit
Alabama	\$8,000.00	Kentucky	\$9,000.00*	North Dakota	\$27,900.00*
Alaska	\$35,800.00*	Louisiana	\$7,700.00	Ohio	\$9,000.00
Arizona	\$7,000.00	Maine	\$12,000.00	Oklahoma	\$19,100.00*
Arkansas	\$12,000.00	Maryland	\$8,500.00	Oregon	\$33,000.00*
California	\$7,000.00	Massachusetts	\$14,000.00	Pennsylvania	\$8,000.00
Colorado	\$11,000.00*	Michigan	\$9,000.00	Rhode Island	\$19,600.00**
Connecticut	\$15,000.00	Minnesota	\$28,000.00*	South Carolina	\$12,000.00*
Delaware	\$10,500.00	Mississippi	\$14,000.00	South Dakota	\$12,000.00*
D.C.	\$9,000.00	Missouri	\$13,000.00	Tennessee	\$9,000.00
Florida	\$8,500.00*	Montana	\$27,000.00*	Texas	\$9,000.00
Georgia	\$8,500.00	Nebraska	\$9,000.00	Utah	\$29,500.00*
Hawaii	\$34,200.00	Nevada	\$26,400.00*	Vermont	\$16,000.00*
Idaho	\$34,100.00*	New Hampshire	\$14,000.00*	Virginia	\$8,000.00
Illinois	\$13,560.00*	New Jersey	\$30,300.00*	Washington	\$38,200.00*
Indiana	\$9,500.00	New Mexico	\$22,400.00*	West Virginia	\$12,000.00
Iowa	\$25,300.00*	New York	\$8,500.00	Wisconsin	\$13,000.00
Kansas	\$8,000.00	North Carolina	\$19,700.00	Wyoming	\$23,000.00*

\* Change for 2012

\*\* Change for 2012; Rhode Island Tier 1 limit shown applies to employers with SUI rate up to 9.78%. Tier 2 limit of \$21,100.00 applies to employers with rate of 9.79% or higher.

## 2011 terminated employees

When your first payroll of 2012 is processed, our payroll system purges all employees terminated from your file in 2011, except those who have one or more of the following:

- Balances from loan, vacation, sick, or personal hours
  - POP (Premium Only Plan) if the plan does not end on the calendar year
  - Fiscal year-to-date amounts
  - Leave of absence status
- ✓ Any terminated employee who is to be paid in the new year (and who does not have one or more of the above exceptions) needs to be submitted as a new hire, *not* a rehire.