

Unemployment Insurance/Disability Insurance Taxable Wage Bases

| State | Taxable Base | |
|--------------------------------------|--------------|-----------|
| | 2009 | 2010 |
| Alabama | 8,000 | 8,000 |
| Alaska | 32,700 | 34,100 |
| Arizona | 7,000 | 7,000 |
| Arkansas | 10,000 | 12,000 |
| California (SUI) | 7,000 | 7,000 |
| California (SDI) | 90,669 | 93,316 |
| Colorado | 10,000 | 10,000 |
| Connecticut | 15,000 | 15,000 |
| Delaware | 10,500 | 10,500 |
| District of Columbia | 9,000 | 9,000 |
| Florida | 7,000 | 7,000 |
| Georgia | 8,500 | 8,500 |
| Hawaii (SUI) | 13,000 | 34,900 |
| Hawaii (TDI) Weekly | 877.69 | 901.70 |
| Idaho | 33,200 | 33,300 |
| Illinois | 12,300 | 12,520 |
| Indiana | 7,000 | 7,000 |
| Iowa | 23,700 | 24,500 |
| Kansas | 8,000 | 8,000 |
| Kentucky | 8,000 | 8,000 |
| Louisiana | 7,000 | 7,700 |
| Maine | 12,000 | 12,000 |
| Maryland | 8,500 | 8,500 |
| Massachusetts | 14,000 | 14,000 |
| Michigan | 9,000 | 9,000 |
| Minnesota | 26,000 | 27,000 |
| Mississippi | 7,000 | 7,000 |
| Missouri | 12,500 | 13,000 |
| Montana | 25,100 | 26,000 |
| Nebraska | 9,000 | 9,000 |
| Nevada | 26,600 | 27,000 |
| New Hampshire | 8,000 | 10,000 |
| New Jersey (SUI, SDI, FLI, WF & SWF) | 28,900 | 29,700 |
| New Mexico | 20,900 | 20,800 |
| New York | 8,500 | 8,500 |
| North Carolina | 19,300 | 19,700 |
| North Dakota | 23,700 | 24,700 |
| Ohio | 9,000 | 9,000 |
| Oklahoma | 14,200 | 14,900 |
| Oregon | 31,300 | 32,100 |
| Pennsylvania (Employer) | 8,000 | 8,000 |
| Pennsylvania (Employee) | Unlimited | Unlimited |
| Puerto Rico (SUI) | 7,000 | 7,000 |
| Puerto Rico (TDI) | 9,000 | 9,000 |
| Rhode Island (SUI) | 18,000 | 19,000 |
| Rhode Island (TDI) | 56,000 | 57,900 |
| South Carolina | 7,000 | 7,000 |
| South Dakota | 9,500 | 10,000 |
| Tennessee | 9,000* | 9,000 |
| Texas | 9,000 | 9,000 |
| Utah | 27,800 | 28,300 |
| Vermont | 8,000 | 10,000 |
| Virgin Islands | 22,100 | 22,200 |
| Virginia | 8,000 | 8,000 |
| Washington | 35,700 | 36,800 |
| West Virginia | 12,000** | 12,000 |
| Wisconsin | 12,000 | 12,000 |
| Wyoming | 21,500 | 22,800 |

* TN - The governor signed the bill into law on June 25, 2009 (Retro to 1/1/09).

**WV - Effective 4/1/09 (\$8,000 prior to 4/1/09).

ADP is not responsible for any tax inaccuracies that this guide may contain.
Please be aware that payroll tax regulations are subject to change.



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Payroll Tax Guide

2010

Federal Tax Overview

| Payroll Tax | Responsibility | Tax Limits |
|--|---------------------|--|
| Federal Income Tax | Employee Only | Withheld from employee's earnings based on marital status, number of dependents, pay frequency and level of earnings. The amount of tax withheld is calculated using IRS-prescribed tables or % rates. |
| Social Security Tax | Employee & Employer | Based on the Consumer Price Index (CPI), the 2010 Social Security wage limit will not change. The tax limit will remain at \$6,621.60 which is 6.2% of the first \$106,800 in taxable wages. The employer continues to make the same matching contribution. |
| Medicare Tax | Employee & Employer | Maximum salary contributions remain unlimited. Medicare tax is collected at 1.45% of total wages. Employer makes matching contributions. |
| Federal Unemployment Tax Act (FUTA) | Employer Only | Payment amount is 6.2% of the first \$7,000 of nonexempt wages paid to each employee. However, employers can take a credit up to 5.4% for state unemployment taxes paid, effectively reducing the tax rate to 0.8%, except in states where credit reductions are in effect. For 2009, Michigan is the only credit reduction state. |

Supplemental Wage Payments

In 2010, a 25% flat rate of income tax may be levied on bonuses or any extra income received by an employee from an employer in cash or kind, over and above normal wages or salary.

Example: If an employee earns a bonus of \$1,500, a flat 25% or \$375 could be withheld as federal income tax if the other conditions for supplemental wage payments apply. Beginning in 2005, there was an alternative flat withholding tax rate of 35% on accumulated supplemental wage payments of more than \$1 million paid during the calendar year to an employee.

Federal Insurance Contributions Act (FICA)

Social Security and Medicare taxes are paid in equal amounts by the employer and employee. The taxable wage base for both includes tips reported by the employee to the employer.

Each employer is liable for collection and payment of an employee's portion of tax. It must be withheld from wages in much the same manner as income tax. Payments in kind are generally subject to Social Security and Medicare taxes—the same as wages paid in cash. No withholding exemption allowances are allowed for Social Security and Medicare taxes.

Third-Party Sick Pay

An employee may receive payments equivalent to salary or wages while sick, disabled, or convalescing under a plan established by an employer. Amounts of compensation resulting from employer plans, state disability insurance, union funds, insurance carrier, etc., are generally subject to Social Security and Medicare taxes.

Third-party sick pay attributable to *employee* contributions remains nontaxable, along with workers' compensation payments. Third-party sick payments received by the employee more than six months after the employee last worked are subject to federal income tax, but are exempt from FICA and FUTA taxes.

Taxation of Tips

Cash tips of \$20 or more received in a month while working for any one employer are subject to federal income, Social Security, and Medicare tax withholding. Cash tips less than \$20 a month are not subject to any withholding; but, that amount must be included under gross income on the employee's income tax return.

Tips and the value of non-cash tips (such as tickets, passes, merchandise) must be included in an employee's tips report (Form 4070, Employee's Report on Tips to Employer) on or before the 10th day of the following month. No report is required if less than \$20 is received during a month.

In addition, all cash tips that are subject to employee Social Security and Medicare taxes are included in the definition of wages for *employer* Social Security and Medicare tax purposes.

Federal Deposit & Reporting Requirements

| Taxes Accumulated | Due Date | Comments |
|---|--|---|
| If \$100,000 or more on any day during a deposit period, then: | Deposit taxes by next banking day | If <i>monthly</i> depositor accumulates a \$100,000 tax liability on any day during a deposit period, it becomes a <i>semi-weekly</i> depositor on the next day and remains so for at least the remainder of the calendar year and for the following calendar year. |
| If over \$50,000 during lookback period, then: | Deposit taxes semi-weekly | For paydays on Wednesday, Thursday or Friday, the deposit is due by the Wednesday after the payday. For all other paydays, the deposit is due by Friday following payday. If either due date falls on a legal holiday, the deposit is due the next banking day. |
| If \$50,000 or less during lookback period, then: | Deposit taxes monthly | Make deposit by the 15th of the following month; due next banking day if the 15th falls on a weekend or legal holiday. |
| If less than \$2,500 during a calendar quarter, then: | Remit taxes with quarterly Form 941, rather than depositing separately | If you qualify for Form 944 see instructions. |

The foregoing deposit requirements apply to federal income tax withheld and both the employer and employee Social Security and Medicare taxes. There are separate deposit requirements for non-payroll income tax withholding.

Determination of whether a required deposit is semi-weekly or monthly is made annually, based on the amount of employment taxes an employer reported for the 12-month lookback period ended on the preceding June 30.

Report quarterly on Form 941 or annually on Form 944, if you qualify, the wages and withholding taken for federal income tax, Social Security and Medicare taxes. The credit against employment taxes for COBRA assistance payments (the amount on line 12a of Form 941 and line 11a of Form 944), is treated as a deposit of taxes on the first day of the return period.

Report annually on Form 940 the covered wages paid and tax remitted for the Federal Unemployment Tax Act (FUTA). FUTA tax is deposited by the last day of the first month after the quarter ends. If the amount is \$500 or less, however, it may be carried over to the next quarter.

Electronic Funds Transfer

Certain employers must pay all federal business taxes (for example, income and excise taxes, as well as payroll taxes) using electronic funds transfer. The requirement applies to all employers who deposited more than \$200,000 in total federal taxes (not merely payroll taxes) during calendar year 2001 or in a subsequent year, or were already mandated to use EFTPS. Mandated employers must register and make special arrangements before using this payment method.

State Tax Overview

| Payroll Tax | Responsibility | Tax Limits |
|--|--|--|
| State Income Tax (SIT) | Employee Only | Forty-one states, the District of Columbia and Puerto Rico, require income tax withholding on employees. States <i>not</i> requiring income tax withholding: Alaska, Florida, Nevada, New Hampshire, South Dakota, Texas, Washington and Wyoming. Tennessee has an income tax but does not require employee withholding. There are significant differences from state to state in tax rates, taxability rules, and withholding procedures. |
| State Unemployment Insurance Tax (SUI) | Employers in all states; employees also in: —Alaska —New Jersey —Pennsylvania | Employer's SUI rate is recalculated at least annually, and is based on the firm's unemployment experience. Each state has a minimum and maximum rate. In 2010, the lowest rate is 0.0% and the highest rate is 13.65%. Each state defines for its employers the wages subject to SUI, with 2010 taxable wage limits varying from \$7,000 to \$38,800. |
| State Disability Insurance (SDI) | Employers subject in Hawaii, New Jersey, New York, Puerto Rico Employees subject in California, Hawaii, New Jersey, New York, Puerto Rico, Rhode Island | Contribution amounts are determined by the state's maximum withholding amount and/or taxable wage limit and rate. |
| Tax deposit and reporting requirements for state income tax, state unemployment insurance, and state disability insurance vary by state. | | |

In addition, certain municipalities, school districts, and other local governmental units may impose their own income or occupational taxes on persons who work and/or reside within their jurisdiction. For example, New York City has a resident personal income tax.

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