



2014 Tax Changes

Beginning with your first payroll with checks dated in 2014, employees may notice changes in their paychecks due to updated 2014 federal and state tax requirements. This document will help you understand these changes and help you to explain them to your employees.

- ✓ This document currently reflects only tax changes of which ADP was notified by tax agencies as of January 2, 2014.

Note: The information in this letter 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.

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FICA

As you know, the FICA tax consists of two parts: Social Security and Medicare. For 2014:

- The taxable limit for Social Security has increased to \$117,000.00, and there is no taxable limit for Medicare.
- The *employee* Social Security tax rate remains at 6.2% and the Medicare tax rate remains at 1.45%.
- The *employer* Social Security tax rate remains at 6.2% and the Medicare tax rate remains at 1.45%.

Tax	Taxable Limit	Tax Rate	Maximum Deduction
Social Security—Employee	\$117,000.00	6.2%	\$7,254.00
Social Security—Employer	\$117,000.00	6.2%	\$7,254.00
Medicare—Employee/Employer	No Limit	1.45%	No Limit
Medicare Surtax—Employee*	No Limit on wages over \$200,000.00	.9%	No Limit

* Medicare Surtax is an additional .9% tax applicable to wages earned over \$200,000.00. It is an employee-paid tax; there is no employer match.

- ✓ Employees who reached their Social Security limit in 2013 will see this tax start again on their first payroll with a 2014 check date.

Federal income tax withholding

Effective January 1, 2014, the IRS is changing the federal income tax withholding tables and allowance amount.

The optional flat withholding rate for supplemental wages (e.g., bonuses) up to \$1,000,000 will remain at 25%. For supplemental wage payments over \$1,000,000 in a year, the mandatory withholding rate will remain at 39.6%.

The rate of withholding on payments that are subject to backup withholding remains at 28% for payments made on or after January 1, 2014.

Federal unemployment rate

For 2014, 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), to equal 0.6%.

Earned Income Credit

Employees eligible for the Earned Income Credit in 2014 will need to apply for it when filing their 2014 federal tax return.

Parking/Transit and Adoption Assistance

Effective January 1, 2014, the following will be in effect:

- The monthly Qualified Parking limit has increased to \$250.00. The combined value of transit passes and transportation in a commuter highway vehicle has decreased to \$130.00 per month.
- The Adoption Assistance maximum amount that can be excluded from an employee's gross income has increased to \$13,190.00. This includes all adoption types, including special-needs children.

Deferred compensation and pension plan limits

2014 annual contribution limits for deferred compensation and pension plans:

Plan	2014 Contribution Limit	2014 Catch-Up Limit*
401(k)	\$17,500.00	\$5,500.00
SIMPLE 401(k)	\$12,000.00	\$2,500.00
Roth 401(k)	\$17,500.00	\$5,500.00
Roth SIMPLE 401(k)	\$12,000.00	\$2,500.00
SIMPLE IRA	\$12,000.00	\$2,500.00
403(b)	\$17,500.00	\$5,500.00
403(b) 15 year service	\$ 3,000.00	N/A
Roth 403(b)	\$17,500.00	\$5,500.00
Roth 403(b) 15 year service	\$ 3,000.00	N/A
408(k) (SARSEP)	\$17,500.00	\$5,500.00
457	\$17,500.00	\$5,500.00
501(c)	\$17,500.00	N/A

* Catch-up amounts apply to employees 50 years or older who 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 \$17,500.00.
- ✓ Our payroll system tracks limit amounts and stops at the maximum shared limit for regular and Roth contributions. Employees who reached their limits in 2013 will have their contributions recommence on their first 2014 payroll.

State income tax withholding

The following state will be affected because the calculation of state withholding is based on federal withholding. For example, if a state's withholding is 2% of the federal withholding, it will increase because federal withholding has increased; the state's tax laws did not necessarily change.

Iowa

The following states have announced 2014 state income tax changes:

California	Connecticut	Kansas	Kentucky*
Maine	Massachusetts	Michigan*	Minnesota
Missouri*	New Mexico	New York	North Carolina
North Dakota	Oklahoma	Rhode Island	Vermont

* State has changed the standard deduction and exemption amount for each allowance claimed; tables and rates remain the same.

- ✓ To learn more about state income tax requirements, refer to the following website:
<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	\$37,400.00*	0.62%*	\$231.88*
California Disability	\$101,636.00*	1.00%	\$1016.36*
Hawaii Disability	\$921.78/week \$47,932.56/year	0.5%	\$4.61/week
New Jersey Unemployment and Disability**	\$31,500.00*	.805%*	\$253.58*
New Jersey Paid Family Leave	\$31,500.00*	0.10%	\$31.50*
New York Disability	No limit	60¢/week	\$31.20
PA Unemployment	No limit	.07%	Unlimited
Rhode Island Disability	\$62,700.00*	1.20%	\$752.40*

* Change for 2014

** Does not include NJ-FLI

- ✓ Employees who reached their employee-paid limit in 2013 will see this tax start again on their first payroll with a 2014 check date.

State unemployment taxable limits

State	Taxable Limit	State	Taxable Limit	State	Taxable Limit
Alabama	\$8,000.00	Kentucky	\$9,600.00*	North Dakota	\$33,600.00*
Alaska	\$37,400.00*	Louisiana	\$7,700.00	Ohio	\$9,000.00
Arizona	\$7,000.00	Maine	\$12,000.00	Oklahoma	\$18,700.00*
Arkansas	\$12,000.00	Maryland	\$8,500.00	Oregon	\$35,000.00*
California	\$7,000.00	Massachusetts	\$14,000.00	Pennsylvania	\$8,750.00*
Colorado	\$11,700.00*	Michigan	\$9,000.00	Rhode Island	\$20,600.00*
Connecticut	\$15,000.00	Minnesota	\$29,000.00	South Carolina	\$12,000.00
Delaware	\$18,500.00*	Mississippi	\$14,000.00	South Dakota	\$14,000.00*
D.C.	\$9,000.00	Missouri	\$13,000.00	Tennessee	\$9,000.00
Florida	\$8,000.00	Montana	\$29,000.00*	Texas	\$9,000.00
Georgia	\$9,500.00	Nebraska	\$9,000.00	Utah	\$30,800.00*
Hawaii	\$40,400.00*	Nevada	\$27,400.00*	Vermont	\$16,000.00
Idaho	\$35,200.00*	New Hampshire	\$14,000.00	Virginia	\$8,000.00
Illinois	\$12,960.00*	New Jersey	\$31,500.00*	Washington	\$41,300.00*
Indiana	\$9,500.00	New Mexico	\$23,400.00*	West Virginia	\$12,000.00
Iowa	\$26,800.00*	New York	\$10,300.00*	Wisconsin	\$14,000.00
Kansas	\$8,000.00	North Carolina	\$21,400.00*	Wyoming	\$24,500.00*

* Change for 2014

** Rhode Island Tier 1 limit (shown) applies to employers with SUI rate up to 9.78%. Tier 2 limit of \$22,100.00 applies to employers with rate of 9.79% or higher.

New York Hospitality Industry Wage Order

For more information please refer to:

https://labor.ny.gov/workerprotection/laborstandards/workprot/MW%20Updates/CR146%20New_12-31-2013.pdf