

Payroll Tax Cut Under New Act

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 that was recently passed and signed by the President, provides a two percentage point payroll tax cut for employees in the Social Security tax withholding starting in 2011. The current social security rate of 6.2% will decrease to 4.2% on wages paid up to \$106,800.

The employers' matching tax rate for Social Security remains unchanged at 6.2%.

The Internal Revenue Service stated that employers should start using the new withholding tables and reducing the amount of the Social Security tax withheld as soon as possible in 2011 but not later than January 31, 2011. For any Social Security tax over withheld during January while employers are updating their withholding systems, an offsetting adjustment in the workers' pay should be made as soon as possible but not later than March 31, 2011.

Internal Revenue Service Notice 1036, which was released on December 17th, contains the percentage method-income tax withholding tables, the lower Social Security withholding rate, and the related information that most employers need to implement these changes.

If you have any questions or need additional information, please contact your Legacy representative.

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