



2010 Federal & California

Payroll Tax Requirements

2010 FEDERAL PAYROLL TAX RATES

New Federal Income Tax Withholding tables have been issued for 2010.

FICA and Medicare – Employer & Employee		
	FICA	MEDICARE
Wage Limit	\$0 to \$106,800	None
Tax Rate	6.2% (0.062)	1.45% (0.0145)
FICA Maximum Total 2010: \$6,621.60 each (Employer and Employee)		

For wages paid to each employee up to \$106,800, the combined FICA and Medicare rate is 7.65% (.0765). For wages paid to each employee in excess of \$106,800, only the Medicare tax rate of 1.45% (.0145) applies.

Federal Unemployment Insurance (FUI)	
Wage Limit	\$7,000
Tax Rate	0.8% (.008)*
Maximum Total 2010 (Generally)	\$56

**6.2% less 5.4% credit if state unemployment taxes paid.*

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solutions@windes.com

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2010 CALIFORNIA PAYROLL TAX RATES

New California Income Tax Withholding tables have been issued for 2010.

State Disability Insurance (SDI) / State Unemployment Insurance (SUI) & Employee Training Tax (ETT)			
	SDI	SUI	ETT
Wage Limit	\$0 to \$93,316	\$0 to \$7,000	\$0 to \$7,000
Tax Rate	1.1% (.011)	1.5% to 6.2%	0.1% or Zero
Maximum Total	\$1,026.48	\$105.00 - \$434.00	\$7.00 or Zero

The SUI rate is different for each employer. The Employment Development Department (EDD) will send notices to all employers informing them of their SUI rate. This notice will also indicate whether the employer's ETT rate is 0.1 percent or zero.

2010 FEDERAL PAYROLL TAX REQUIREMENTS

Federal Deposit Requirements for 2010:

1. **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 rules below).
2. **\$100,000 One-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 banking 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 one-day deposit rule immediately becomes a semi-weekly depositor for the remainder of 2010 and 2011.
3. **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:

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Payment Days/Deposit Periods	Deposit Due Dates
Wednesday, Thursday and/or Friday	Following Wednesday
Saturday, Sunday, Monday and/or Tuesday	Following Friday
<p>Note: If you are required to remit all taxes under the EFTPS Requirements, you must initiate your payment one day before the above due dates.</p>	

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.

4. **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.
5. **\$2,500 Exception:** 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 one-day deposit rule during the current quarter, you are not required to make a deposit. The tax may be paid with your quarterly return.
6. **New Employers:** New employers are monthly depositors for the first year of their business (but see the \$100,000 one-day rule exception above).
7. **Bank Holidays:** If a deposit is required to be made on a day that is not a banking day, the deposit is considered to have been made timely if it is made by the close of the next banking day. In addition, a special rule is provided for semi-weekly depositors to allow them at least three banking days to make a deposit.

Deposit Requirements for Federal Unemployment Insurance:

If, at the end of any calendar quarter, 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 paid with the annual return. If the deposit date is not a banking day, the deposit is considered to have been made timely if it is made by the close of the next banking day.

Depositing Taxes:

If you were required to deposit your taxes electronically in 2009 or in any prior year, or if your employment, excise, and corporate income taxes deposited in 2008 totaled more than \$200,000, you **must** make all of your federal tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS).

The IRS will notify you if you need to enroll in the EFTPS program. You may be subject to a 10% penalty for non-compliance.

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Federal Requirements for 2010 (Continued):

If your total employment, excise, and corporate income taxes were \$200,000 or less for 2008, and you were not required to utilize the EFTPS System in prior years, you may continue to use the deposit forms contained in the federal coupon book (federal Form 8109). Since a variety of federal taxes are deposited with these forms, 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 and Form 940 for FUI

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

2010 CALIFORNIA PAYROLL TAX REQUIREMENTS

California Deposit Requirements for 2010:

1. **\$100,000 One-Day Deposit Rule:** If, at any time, you accumulate \$100,000 or more in federal employment taxes AND have accumulated more than \$500 in state Personal Income Tax (PIT) withholding, you are required to deposit all state withholding taxes (SDI and PIT) by the next banking day. Once you make a next banking day deposit, you become a semi-weekly depositor for the remainder of 2010 and 2011.
2. **Semi-weekly Deposits:** If you are a semi-weekly depositor for federal purposes AND have accumulated more than \$500 in state PIT withholding during one or more payroll periods, you must make state deposits on the same dates as required for federal purposes.
3. **Monthly Deposits:** If you are a monthly depositor for federal purposes AND have accumulated more than \$350 in state PIT withholding during one or more months of a quarter, you must make state deposits on the same dates as required for federal purposes.

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California Payroll Tax Requirements for 2010 (Continued):

4. **Quarterly Deposits:** If you are required to deposit quarterly for federal purposes AND have accumulated \$350 or more in state PIT withholding, you must make state deposits by the 15th day of the following month.
5. **Electronic Funds Transfer (EFT):** If your average deposit for SDI and PIT was \$20,000 or more for the period from July 1, 2008, to June 30, 2009, you are required to remit all SDI and PIT deposits for 2010 by EFT, regardless of the dollar amount. This requirement is determined each year. Therefore, if you were required to utilize EFT in 2009, you are not automatically required to do so in 2010.

Depositing Taxes:

All state withholding (SDI and PIT) deposits are to be made using the deposit forms contained in the state coupon book (state Form DE 88). Employers are required to file an Annual Reconciliation Return (Form DE 7) at year-end, and Form DE 6 quarterly to report gross wages and PIT. An employer must pay the State Unemployment Insurance (SUI) and Employment Training Tax (ETT) quarterly with the Form DE 88 coupon.

If you have any questions regarding payroll tax requirements or would like to discuss your specific tax needs, please give us a call at (562) 435-1191. To view previous issues of our quarterly newsletter, *SOLUTIONS*, please visit our web-site at www.windes.com.

Contact us at:
solutions@windes.com

111 West Ocean Blvd.
Twenty-Second Floor
Long Beach, CA 90802
Phone: (562) 435-1191
Fax: (562) 436-6186

18201 Von Karman
Suite 1060
Irvine, CA 92612
Phone: (949) 271-2600
Fax: (949) 660-5681

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