**PAYROLL TAX UPDATE JANUARY 1, 2017**

Address Block

The following payroll tax rules are effective for your first payroll check dated 2017:

1. **Federal withholding** should be determined using IRS Circular E (Publication 15) dated January 2017. **ONCE AVAILABLE**, you can find Publication 15 online at <http://www.irs.gov/app/picklist/list/publicationsNoticesPdf.html>. Within this publication tables are provided for changing your computer withholding percentages.
2. **For 2017**, you are required to withhold Social Security taxes from employees at the rate of 6.2% up to a maximum **$127,200.00** of Social Security wages for 2017 (employer’s share REMAINS at 6.2%). Example: If an employee has Social Security wages of $1,000, then the employee’s withholding would be $62.00 (1,000 x .062) and the employer’s share would also be $62.00 (1,000 x .062).

You must withhold Medicare tax on all wages subject to Medicare at the rate of 1.45% (employer equal match required). Since the Social Security tax withholding and Medicare tax withholding appear separately on the W-2’s, it is necessary that you show these deductions as ***two separate tax withholdings***. (E.g.: One separate column or tax deduction for Social Security - .062 x Social Security wages, up to a maximum wage of $127,200.00 and one separate column or deduction for Medicare tax - .0145 x Medicare wages, no cutoff). There is an additional Medicare health insurance tax at *.9% on wages paid to an employee in excess of $200,000.00* in a calendar year.

1. **Pennsylvania State Withholding** rate remains the same for 2017 at 3.07% (.0307 x gross wages).
2. **Local Withholding**:

Effective **December 19, 2016** the Blair County Tax Collection Bureau will be located in Duncansville.

Blair County Tax Collection Bureau

PO Box 307

Duncansville PA 16635-0307

BCTCB Phone (814)317-5335

BCTCB Fax (814)317-5255

Effective **January 1, 2016**, the Altoona City Resident earned income tax rates are 1.6% for all residents of the City of Altoona and for Non-residents the rate is 1.5%.

Every business that employs individuals at worksites within Pennsylvania or employs individuals who work from their homes in Pennsylvania, is required to withhold the higher of either the employee resident tax rate or the employer’s non-resident tax rate from employees’ wages and remit the tax to the appropriate tax officer.

1. **LST Tax:**

The LST tax is assessed on each employed individual if that municipality has adopted an ordinance to levy the LST tax.

The Local Services Tax shall be withheld pro rata for each payroll period in which the person is employed (e.g. - $1.00 per week if paid weekly).

**City of Altoona Employers** are required to remit the LST tax to the Blair County Tax Collection Bureau (BCTCB).

**Logan Township Employers** are required to remit the LST tax to the Altoona Area School District.

**Other Municipalities** should consult quarterly forms for proper payees and mailing addresses for taxes collected.

1. **Pennsylvania Unemployment:**

Pennsylvania Unemployment employee withholding has changed for 2017. All employers are required to withhold .07% on all employee wages which amounts to $.70 per $1,000.00 earned (.0007 x $1,000.00 = $.70). There is no wage cutoff for the employee withholding. The employer’s wage cutoff has changed from $9,500 to $9,750. Employers are required to electronically file all quarterly UC tax and wage reports through UCMS at https://www.paucemployers.state.pa.us in order to avoid penalties.

Effective Jan. 1, 2017, employers are required to pay Unemployment Compensation (UC) contributions and reimbursement statements of account electronically if the total liability owed equals or exceeds $5000 for a payment period. Once this threshold is met, all subsequent payments must also be submitted electronically, even if amounts due for subsequent periods are less than $5000.00

**The PA UC Service Centers fact finding process has changed.** When an employee files for unemployment compensation, a claims examiner will now contact the employer via *telephone* directly to determine eligibility in a fact-finding interview. If an individual is overpaid UC benefits because the employer or agent of the employer fails to respond in a *timely* manner or provides an *inadequate* response, your account will no longer be credited when the overpayment is established. The employer’s account will be charged with the UC benefits overpaid to the separated employee. An untimely response is defined as a response filed more than 14 days after the departments request for information. An inadequate response is defined as a response that misrepresents or omits facts that, if accurately represented or disclosed, would have been a basis for the department to disqualify the individual from receiving compensation.

1. **Special Information:** Regarding the 1095 filing requirement for health insurance provided to employees, a large employer (employer with more than 50 full time employees) must fill out the Form 1094 to report to the IRS and Forms 1095 to report coverage to employees. The filing is required for 2015 and thereafter. If you would like more information regarding the new filing requirements, please go online to http://www.irs.gov/Affordable-Care-Act/Employers/Questions-and-Answers-on-Reporting-of-Offers-of-Health-Insurance-Coverage-by-Employers-Section-6056.
2. **Reminder:** The IRS in conjunction with the US Immigration and Customs Enforcement department is now more strictly monitoring completion of the I-9 form and required accompanying documentation. These departments are auditing businesses for “hiring paperwork.” There are fines being imposed ranging from $110 to $16,000 per technical violation of this form (there can be more than one violation per form). We will not review this form unless we are explicitly asked. This is a reminder to make sure it is filled out completely with **valid** documentation. All clients must have a copy of the completed I-9 form on file for each employee, in addition to the W-4, and Residency Certificate.
3. **New Process:** Quarterly 941 Forms and Annual 940 Forms have transitioned from paper filing to mandatory online filing. This will NOT affect payment of these taxes; the forms will just be submitted electronically going forward instead of being mailed.
4. **FLSA Changes:** The implementation of the Fair Labor Standards Act (FLSA) changes that were to be effective December 1, 2016 have been delayed. This change is on non-highly compensated employees who will qualify for exemption from overtime if they meet the requisite duties tests and are paid on a salary basis at a rate of at least $913 per week or an equivalent amount for a pay period longer than a week.

If you have any questions regarding these 2017 changes or do not understand any item on the 2016 year end forms, please call our office. Best wishes for the New Year.