

December, 2012

Dear Client,

Please be advised that effective **January 1, 2013** the payroll limits will be adjusted as follows:

The wage base for social security tax has been increased to **\$113,700**. For 2013 the tax rate is **6.2%** for **both employee and employer**. The maximum employee deduction for social security taxes is **\$7,049.40**. For Medicare, the tax rate is **1.45%** for both employee and employer on all wages, there is no limit. Beginning in 2013, **wages paid in excess of \$200,000** will be subject to an extra **0.9%** Medicare tax. This will only be withheld from the employees' wages; employers will not pay the tax.

The maximum amount of taxable income subject to self-employment tax is **\$113,700**. The effective rate is **12.4%**, which is the combined social security rate for employees and employers. Individuals earning **\$113,700** will be subject to **\$14,098.80** for social security tax. A rate of **2.9%** will be assessed on all self-employment income for Medicare. Self employment income over **\$200,000** will be subject to an extra **.9%** Medicare tax.

In 2013, the maximum amount of wages subject to NJ family leave insurance, unemployment insurance, disability insurance, workforce development funds and health care subsidy fund will be **\$30,900**. The employee deduction rate has changed from .705% in 2012 to **.885%** in 2013. The maximum employee deduction for 2013 is **\$273.47 (\$30,900 x .885%)**. The employer rates that became effective July 1, 2012 will remain in effect until June 30, 2013.

Please view our website for further updates. For payroll tax limits for states other than New Jersey, contact your tax professional at Mills and DeFilippis.

Very truly yours,

Mills and DeFilippis

Mills and DeFilippis
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