

2010 FEDERAL AND STATE TAX CHANGES

You will start receiving the 2010 federal, state, and local tax pay frequency changes and unemployment tax rate notices shortly. These must be forwarded to our office immediately upon your receipt. Our timely receipt of these notices ensures the accurate collection and filing of payroll tax.

CPS will continue to use the 2009 rates and frequencies on file in 2010 until new ones are received. If we use the 2009 rate to calculate unemployment during 2010, prior to receiving the updated information, any under/over collection will be adjusted during the quarter end process.

We will not be responsible for client penalties resulting from our late receipt of unemployment, federal, state or local tax notices. Please fax tax rate notices and frequency changes to our tax department at 410-229-0177. New coupon books should be forwarded by U.S. mail directly to our office.

MANDATED CHANGES FOR 2010

The following guidelines were in effect as of the date of this printing. It is always recommended that you check with your tax professional.



Federal: The Social Security Taxable Wage base for 2010 remains at \$106,800 with a \$6,621.60 tax base. The Medicare tax has no maximum limit. Tax rates remain the same for both taxes, 6.2% for Social Security & 1.45% for Medicare.

By February 16, those employees who submitted a form W-4 with an exempt status for 2009 must file a new form W-4 for 2010 to continue their exempt status. Begin withholding for any employee who previously claimed exemption from withholding, but has not given you a new form W-4 by then. If the employee does not give you a new form W-4, withhold tax as if he or she is single, with zero withholding allowances. However, if you have an earlier form W-4 for this employee that is valid, withhold based on the earlier form W-4.

New Tax for New York: The New York Metropolitan Commuter Transportation Mobility Tax is a new tax imposed on certain employers and individuals engaging in business within the metropolitan commuter transportation district. The tax is calculated at a rate of 0.34% for all employers. This tax applies to you if:

1. You're required to withhold New York State Income Tax;
2. Your business is located in any of the following districts: New York (Manhattan), Bronx, Kings (Brooklyn), Queens, Richmond (Staten Island), Rockland, Nassau, Suffolk, Orange, Putnam, Dutchess or Westchester;
3. Your payroll expense exceeds \$2,500 in any calendar quarter.

FUTA Tax Credit Reduction: Employers paying Michigan unemployment will be subject to a 0.3% reduction in their credit for tax year 2009 resulting in an additional \$21 in FUTA per employee. Adjustments for this will occur in the fourth quarter 2009.

Maryland Unemployment Rate Increase: For 2010 Maryland will be implementing Table F, (the highest of the six rate tables). This will affect all Maryland employers. The range of rates and cost per employee is as follows:

1. The lowest rate will be 2.2% and the highest will be 13.5%
2. This will cause an increase in tax per employee ranging from \$187.00 to \$1,147.50

Mileage Rate: The Standard Mileage Rate for 2010 has not been released yet. We will load this into the system when it is. The current rate for 2009 is \$0.55 per mile.

Qualified Transportation Fringes: The aggregate monthly fringe benefit exclusion for transportation in a commuter highway vehicle and any transit pass is \$230. Exclusion for qualified parking is \$230.

Medical Savings Account Plans: For employee only coverage in 2010, a “high deductible” health plan has an annual deductible maximum of \$3,150, and annual out-of-pocket expenses for covered benefits (other than for premiums) under \$5,950 for employee only. For family coverage, a “high deductible plan” has an annual deductible maximum of \$6,150, and annual out-of-pocket expenses for covered benefits (other than for premiums) under \$11,900.

2010 and previous year limits for elective deferrals and more:

401k Plan Limits for Plan Year	2009 & 2010	2008	2007	2006	2005
401k Elective Deferrals	\$16,500	\$15,500	\$15,500	\$15,000	\$14,000
Annual Defined Contribution Limit	\$49,000	\$46,000	\$45,000	\$44,000	\$42,000
Annual Compensation Limit	\$245,000	\$230,000	\$225,000	\$220,000	\$210,000
Catch-Up Contrib. Limit (over 50)	\$5,500	\$5,000	\$5,000	\$5,000	\$4,000
Highly Compensated Employees	\$110,000	\$105,000	\$100,000	\$100,000	\$95,000
Key Employee in Top Heavy Plan	\$160,000	\$150,000	\$145,000	\$140,000	\$135,000

Non 401k Related Limits	2009 & 2010	2008	2007	2006	2005
403(b)/457 Elective Deferrals	\$16,500	\$15,500	\$15,500	\$15,000	\$14,000
SIMPLE Employee Deferrals	\$11,500	\$10,500	\$10,500	\$10,000	\$10,000
SIMPLE Catch-Up Deferrals	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
SEP Minimum Compensation	\$550	\$500	\$500	\$450	\$450
SEP Annual Compensation Limit	\$245,000	\$230,000	\$225,000	\$220,000	\$210,000
Social Security Wage Base	\$106,800	\$102,000	\$97,500	\$94,200	\$90,000

NOTE: All deferral limits will be in the system for 2010.

This is only a partial listing of information available at the time this Guidebook was released. Other wage changes, such as tip credits, may also occur. Check with your CPA or the states applicable to your payroll for additional changes.