

Understand the Four types of payroll taxes 2010

#1) Federal “941” Taxes:

Withhold from the employee’s wages:

- | | | |
|----|-----------------|---|
| 1. | Federal | Follow the W-4 |
| 2. | Social Security | 6.2% x gross wages, until they reach \$106,800 (2009 and 2010) |
| 3. | Medicare | 1.45% x gross wages |

Your company then matches the ...

- | | | |
|----|-----------------|---------------------------|
| 4. | Social Security | Match the amount deducted |
| 5. | Medicare taxes. | Match the amount deducted |

All **five** taxes are forwarded to the IRS on behalf of the employee; either monthly or weekly.

The taxes deducted are called “**TRUST taxes.**”

Once your employee is paid, these funds do not belong to you or your company. They belong to the employee and **MUST** be paid to the government. There is no quicker way for a company to get into serious trouble with the IRS than to not make their 941 deposits.

If you find yourself in a cash flow crunch, never pay other bills before your 941 deposit.

Social Security & Medicare (FICA) for 2009:

Web site www.irs.gov

The wage base for Social Security has increased to \$106,800	(X 6.20%)	\$6,621.60 per yr max
There is NO WAGE BASE for Medicare	(X 1.45%)	No limit
The <u>combined</u> FICA rate is still ...	<u>7.65%</u>	

Or, withhold 7.65% until the employee makes \$106,800 and then withhold 1.45% until the end of the year.

Electronic Tax Deposits: (EFTPS)

Call in your 941 deposit by phone, or better yet, pay online!

Allowing the IRS to draft your deposit is much easier than writing a check, getting it signed and driving to the bank!

You can order your deposit to draft up to four months in advance! Handy for 1120 estimated deposits.

Go to <https://www.eftps.com/eftps/> and enroll online or call us for assistance.

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#1) Federal "941" Taxes, continued.

WHEN SHOULD YOU MAKE YOUR TAX DEPOSITS?

You are required to deposit your 941 taxes either:

- Monthly, by the following 15th or
- "Semi-weekly" (If your taxes last year exceeded \$50k during the period of 7/1 to 6/30)

Short test - If your tax deposits average less than \$4,167 per month, then you should be able to deposit monthly, unless you incur a major tax liability from a large bonus run.

Normally, the **date on the paycheck rules** when determining when taxes are due.

Actually, the law reads "made available to." So do not allow an employee to cash a check prior to the check date. It does not matter which period the wages are paying, nor if you are posting your books on an accrual basis.

If you are required to use the "semi-weekly rule," your taxes are simply **due either on the next Wed. or Fri.**

- Paychecks dated Wed, Thurs., or Fri. Due next Wednesday
- Paychecks dated Sat, Sun, Mon. or Tues. Due next Friday

WHICH QUARTER SHOULD YOU USE?

Simply look at the check date to determine the proper quarter. (Jan thru March = 1st quarter, etc.)

****WARNING** - Be careful when paying someone early!**

- It's very common for employers to distribute paychecks earlier than the actual check date and then assume that the employee won't get to a bank before 2 p.m. The IRS may interpret this as you deferring your tax payment date.
- Another common mistake is to pay an employee early and then not be aware that the taxes are due earlier than the regular payroll run. Dating a paycheck on Tuesday instead of your normal Friday means that you must make a deposit on Friday instead of the following Wednesday with the rest of the payroll!

#2) Federal Unemployment Form 940 (FUTA):

- The "940" FUTA rate remains at .8% (Federal 6.2% less the state discount of 5.4%)
- Your company pays .8% (.008) of an employee's wages until they reach \$7000 (\$56 per year)
- These taxes are due quarterly, but you are only required to make a FUTA deposit if the accumulated tax exceeds \$500.
- We recommend paying them quarterly anyway so your year end liability isn't so large.

**Warning!* If you fail to file and/or pay your state unemployment taxes, the feds will bill you for the 5.4%! Trust me.

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#3) GA Withholding:

Web site <http://www.etax.dor.ga.gov/>

- The most current tables are in the Employer's Tax Guide Revised November 2009.
- Withhold Georgia taxes and forward them to the state.
- They are due quarterly, monthly or semi-weekly.
- You will receive coupons required to submit the taxes. (Or pay them online)

Payer Status:

- Quarterly - If you withhold less than \$200 per month, pay with a quarterly G-7 return.
- Monthly - If you withhold over \$200 per month, mail with a monthly G-V coupon by the following 15th. Report the three months totals on the required quarterly G-7 return.
- Semi-Monthly - If you withheld over \$50k in state taxes from 7/1-6/30 last year, you must remit via EFT (online) & follow the federal deposit rules.

UPDATE!!

Effective January 1, 2010, the law will require that **any** Sales & Use Tax or Withholding Tax customer with **any single payment** greater than **\$1,000** file and pay electronically. Registration details and instructional videos can be found on <http://www.gataxinfo.org/>.

The quarterly G-7 returns are required, even if there are no wages.

If you don't receive your coupons or if you need tax tables, call 356-2140 or check their web site.

We highly recommend setting up EFT online access for making payments.
Online access will also allow us to file your quarterly G-7 online.

#4) GA State Unemployment:

Form DOL-4

Web site <http://www.dol.state.ga.us/>

New companies pay a minimum rate of 2.7% for the first four years of business to the GA Dept of Labor. Your company will pay this rate times an employee's wages until they reach \$8,500 (\$8,500 x 2.7% or \$229.50 per employee, per year)

You should receive your annual Georgia "EMPLOYER TAX RATE NOTICE" in the first week of the year.

WARNING: Many payroll systems (QuickBooks) must have the new rate entered before printing the first payroll.

If you don't get your notice in time, call the local Dept of Rev at 356-2784 and ask very nicely.

Have your DOL number available.

The Total Tax rate shown on the form is actually two combined rates!

Find Box k for the Contribution Rate

Find Line 6 for the Administration Assessment Rate .08% or 0% if a nonprofit.

For QuickBooks users, there is a payroll item code for each component to equal the total rate presented in the box at the top of the notice. Enter the Contribution Rate in Payroll Item code "GA-Unemployment"

Unemployment claims affect your rate. If you feel justified, always fight an unemployment claim.

Remember, we accept no responsibility for your deposits; unless we have specifically agreed to make them for you, in writing/Accounting Services Bureau, Inc.