

**PAYROLL TAXES
JANUARY 2011**

TITLE	WHAT THIS IS	RATE		DEDUCT FROM PAY?	NOTES
Income Tax - Federal	Employers must withhold their employees' income taxes	Portion of wages based on IRS tables ¹⁶		Yes	1 st day, have worker fill out Federal Form W-4 (and state version if any) In Jan, send W-2 to employee In Jan/Feb, file W-2 plus Form W-3 with Social Security Administration ("SSA") Each quarter, file Form 941 (Employer's quarterly tax return) Each year, file Form 940 (Employer's annual tax return)
Social Security & Medicare ("FICA")	Employee's portion	Social Security 4.2% of first \$106,800 ¹⁷ of wages ¹⁸	Medicare 1.45% of all wages	Yes	
	Employer's Share	6.2% of first \$106,800. ¹⁹	Same as Employee's portion	No	
Income Tax - State	Employee's state of residence or where the employee works may create state income tax obligation	Rate varies. Alaska, Florida Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming have no state personal income tax		Probably	Varies; See laws of state. Most states have their own version of the W-4.
Federal Unemployment Taxes ("FUTA")	Mandatory insurance of unemployment payments	Often .008 for the first \$7,000 of each employee's gross pay		No	Covered on Form 940 (filed yearly). Deposits need to be made quarterly if the unpaid, accumulative tax for the year exceeds \$500.
State Unemployment Taxes ("SUTA")	Mandatory insurance for unemployment payments	Experience Rate x the first \$7,000 of each employee's gross pay; "Experience rate" increases with unemployment claims.		No	State form filed with payment usually due quarterly
Workers' Compensation Insurance	Mandatory insurance for workplace injuries	Insurance premiums are based on riskiness of job		No	Varies; See laws of state
Self Employment Taxes	Income Tax + FICA for partners, LLC Members and independent contractors ²⁰	15.3% of 92.35% of net earnings from self employment for the first \$106,800 and then 2.9% for net earnings thereafter		Hell Yes	http://www.tax.gov/calendar/
Independent Contractor Compensation	Notice to worker and government about compensation paid (if no backup withholding)	N/A		No	1st day, have worker fill out Form W-9 In Jan, send Form 1099-MISC to independent contractors that you paid \$600 or more during the year In Jan/Feb, File 1099 with the IRS with a Form 1096
Independent Contractor Backup Withholding	If contractor does not give you a SSN or FEIN, you may be required to do "backup withholding"	28% of pay		Yes	In Jan/Feb, file 1099 with the IRS with Form 945