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OBJECTIVE ADVICE ON THE ROAD OF LIFE

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To Our Business Clients Who Prepare Payroll Inhouse:

When the 2012 American Taxpayer Relief Act was passed earlier this month, one of the tax items not addressed by the act was the temporary lower 4.2% rate for employees' portion of the Social Security payroll tax which had been in effect for 2011 and 2012. As a result, this was not extended and has reverted to 6.2% (the same as the employers' portion). The Medicare tax rate of 1.45% each for the employee and employer is unchanged.

When To Start

Employers should start using the 6.2% rate as soon as possible in 2013, but not later than February 15, 2013. For any Social Security tax under-withheld before that date, employers should make the appropriate adjustment in workers' pay as soon as, but not later than March 31, 2013.

Withholding Tables

The IRS released updated income-tax withholding tables for 2013 reflecting the changes. These early release copies of the percentage method tables for income tax withholding can be found in Notice 1036. www.irs.gov/notice1036

These tables, and the other withholding method tables, will appear in Publication 15 (Circular E) Employer's Tax Guide (for use in 2013) and will be posted when available in early 2013. Check often for the updated Publication 15 at www.irs.gov.

If you have any questions about the rate change as it pertains to your payroll, please do not hesitate to give us a call at 518.899.5544.

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IRS Circular 230 Disclosure

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