

Employers Face Tax Withholding Changes for 2010

As an annual service to its members, NJBIA explains the changes in tax withholding rates and taxable wage bases that employers face in the year ahead. For 2010, higher personal exemptions and standard deductions and revised tax brackets are reflected in new federal income tax withholding tables. On the State level, the maximum taxable wage base will rise for contributions to the State Plan Temporary Disability Insurance, Family Leave Insurance, Health Care Subsidy Fund, Unemployment Insurance Fund, and Workforce Development Partnership Fund. The following rates and wage bases are applicable in 2010.

SOCIAL SECURITY (FICA)

- Maximum taxable earnings — \$106,800 (same as 2009).
- Employee and employer tax rate — 6.2% (.062).
- Self-employed tax rate — 12.4% (.124).

MEDICARE (HI)

- Taxable earnings — unlimited.
- Employee and employer tax rate — 1.45% (.0145).
- Self-employed tax rate — 2.9% (.029).

FEDERAL INCOME TAX

- Modified federal income tax withholding tables will be mailed to employers in federal Circular E, reflecting tax bracket, standard deduction, and personal exemption annual cost-of-living adjustments.

FEDERAL UNEMPLOYMENT (FUTA)

- The employer FUTA tax will remain 0.8% (.008), after credits, of the first \$7,000 of each employee's earnings. No Federal Unemployment Insurance Tax is imposed on employees.

UNEMPLOYMENT INSURANCE, NEW JERSEY WORKFORCE DEVELOPMENT, AND HEALTH CARE SUBSIDY FUND TAXES

- Employee and employer State Unemployment Insurance, Health Care Subsidy Fund, and Workforce Development tax rates will apply to the first \$29,700 of an employee's earnings (up from \$28,900).
- For 2010, employees are subject to a 0.0425% (.000425) Workforce Development Partnership Fund tax rate. The employee Unemployment Insurance (UI) tax rate remains at 0.3825% (.003825) of taxable payroll.

NEW JERSEY TEMPORARY DISABILITY (TDI) & FAMILY LEAVE INSURANCE (FLI)

- Maximum taxable wages — \$29,700 (up from \$28,900).
- Tax rate for employees covered by the State Plan TDI — 0.5% (.005) of taxable wages.
- Employer tax rate for the State Plan is based on each employer's claims experience.
- Employee Family Leave Insurance tax rate — 0.12% of taxable wages.

NJ GROSS INCOME TAX

- Tax withholding rates for 2010 can be found at www.state.nj.us/treasury/taxation/pdf/whtables2010.pdf.

Employee Benefits Rise in 2010

Employee maximum weekly benefits for Workers' Compensation, Unemployment Compensation, and Temporary Disability are adjusted annually to reflect increases in average taxable wages of covered employees. Amounts applicable in 2010 are set forth below.

NEW JERSEY UNEMPLOYMENT INSURANCE

- Maximum benefit for benefit years commencing on or after January 1, 2010: \$600 weekly (up from \$584).

TEMPORARY DISABILITY & FAMILY LEAVE INSURANCE

- Maximum benefit (State plan) for periods of disability commencing in 2010: \$561 weekly (up from \$546).

WORKERS' COMPENSATION

- Maximum benefit applicable to temporary disability, permanent disability, permanent partial disability, permanent total disability, and dependency benefits awarded for injuries suffered in 2010: \$794 weekly (up from \$773).

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