



INNOVATIVE  
BUSINESS  
SOLUTIONS, INC.



November 2011

**"Thank you for your business!"**

[www.ibspayroll.com](http://www.ibspayroll.com)

### Preparing for Year-End

We want to stress the importance of reporting all of your 2011 payroll related items prior to January 1<sup>st</sup>.

You need to notify us of any earning or tax information that is not part of your ordinary payroll, but needs to be reported on your employees' W-2's. This should be done as early as possible prior to December 31<sup>st</sup> to avoid costly backdating of payrolls after 2011 has been closed. Some of the items to consider are:

1. Handchecks, voids or bonuses paid after your last scheduled payroll run for the year;
2. Employer provided life insurance in excess of \$50,000;
3. Personal use of company provided vehicles;
4. Reportable qualifying employee gifts or awards;
5. Employer contributions to a non-qualified deferred compensation or retirement plan;
6. Any other taxable fringe benefits (Employer HSA Contributions for W2 Disclosure and CA Tax Reporting, Health Club Memberships, Registered Domestic Partner Health Coverage, Unsubstantiated Cash Payments, etc).
7. Employer paid moving expenses;
8. Allocated Tips;
9. 'S' Corporation officer's medical;
10. Sick or disability pay reported to you by a third party administrator;

Another reason for reporting taxable fringe items with your regularly scheduled payroll is that associated taxes can be withheld from your employee's normal payroll check. If they are reported separately or the affected employee has terminated, the employer will often have to fund both

the employee's and employer's shares.

If you are unable to quantify any of these items before December 31<sup>st</sup>, please call us to let us know when you will have the information necessary to print your W-2's.

Keep in mind that any payrolls required to be run after your first payroll of 2012 is processed will almost invariably result in a late deposit of payroll taxes, and will carry a minimum fee of \$300 to re-open a previously closed year.

### Schedule Your Special Year-End Payroll Runs

In order to ensure the highest degree of service, we are requesting that our clients notify us in advance of upcoming special payroll runs (bonuses, taxable fringe, etc.). If you require a special year-end payroll, please give us as much advance notice as possible. Requests for special payroll runs without advance notice may result in additional processing fee premiums. Please complete the attached 'Special Unscheduled Payroll Request' Form and fax it back to IBS at (877) 586-4303.

### Alert! Federal Tax Deposit Frequency Notice

Every December, the IRS mails a notice to your company identifying your tax deposit frequency for the coming tax year. Please forward a copy of your notice to IBS.



**2012 TAX INFORMATION  
SHEET ON REVERSE SIDE**

### Bonus Payments

Don't forget to consider statutory required withholding rates of 25% and 6.6% for Federal and California respectively, for all supplemental payments to employees over and above their base salary. The state of California still uses a special rate of 10.23% for separate bonus payments.

### Employer W-2 Health Care Cost Reporting Mandate

Employers with over 250 W-2's for tax year 2011 will be required to report the value of employer sponsored healthcare coverage on the 2012 W2. Other coverage, such as coverage for Dental, Vision, Supplemental Coverage, Long Term Care Coverage and the like are excluded. Amounts contributed to an Archer MSA or an HSA, or salary reduction contributions to a Healthcare FSA are also excluded, although special rules apply. Small employers, defined as those who file fewer than 250 Forms W-2 for 2011, will not have to comply until 2013.

If you are mandated to comply in 2012 please call IBS for instructions on how to track the healthcare coverage cost in the system.



RANKED #1 IN THE 21-50  
EMPLOYEE CATEGORY



# INNOVATIVE BUSINESS SOLUTIONS

"A payroll and automation services company"

## 2012 TAX INFORMATION SHEET

Visit [www.ibspayroll.com](http://www.ibspayroll.com) for the latest updates

FEDERAL TAX RATES:	** SUBJECT TO CHANGE **	
	FSOC	FMED
Maximum Earnings	\$110,100	No Limit
Rate of Tax - Employer	6.2%	1.45%
<b>Rate of Tax - Employee (2/29/12)</b>	<b>4.2%</b>	1.45%
Maximum Deduction	\$4,624.20	No Limit
<b>FUTA</b>		
Maximum Earnings	\$7,000	
Net Tax (After Maximum Allowable Credit)	0.6%	
Federal Withholding Supplemental Tax Rate	25%	
Mileage Reimbursement	\$0.555	

CALIFORNIA TAX RATES:		CADI	CAUI	ETT
Maximum Earnings		\$95,585		
Rate of Tax (Employee Rate)		1.0%		
Maximum Deduction		\$955.85		
Maximum Earnings			\$7,000	\$7,000
New Employer Rate			3.4%	0.1%
CA Withholding Supplemental Rates				
*Bonus/Stock Options		10.23%		
*All Other Supplemental Pay		6.60%		
* CA Minimum Wage		\$8.00		
* Overtime Law: Rate of pay times 1.5 after 8 hours in a day or 40 hours in a week. Rate of pay times 2 after 12 hours in a day or after 8 hours on the seventh day.				

H.S.A. LIMITS:		Catch-Up Contrib.
Plan	Limit	(age 55 & over)
Single	\$3,100	\$1,000
Family	\$6,250	\$1,000

PENSION PLAN LIMITS:		Catch-Up Contrib.
Plan	Limit	(age 50 & over)
401k, 403b, ROTH	\$17,000	\$5,500
408p (SIMPLE Plans)	\$11,500	\$2,500
457 (Qualified)	\$17,000	\$5,500
457 (Deferred Compensation)	\$17,000	N/A

FEDERAL TAX DEPOSIT RULES:			
Rule	Determination for Base Period	Deposit Requirements	
		Check Day	Deposit Day
Monthly	If the accumulated tax liability is less than or equal to \$50,000 for the base period	Any Day	Deposit Monthly by the 15th of the following month
Semi-Weekly	If the accumulated tax liability is greater than \$50,000 for the base period	Wednesday-Friday	Following Wednesday
		Saturday-Tuesday	Following Friday
Exception Rules	Tax Liability Amount	Deposit Day	
\$2500 Rule	If the tax liability is less than \$2500 for the entire quarter	Liability may be paid with the quarterly tax return	
\$100,000 Rule	If the accumulated tax liability is \$100,000 or more for any check date	Deposit next business day	

The deposit schedule for an employer during a calendar year is based on four quarters. The deposit frequency base period is July 1st to June 30th of the previous year. For 2012, the base period is July-September (3rd qtr) 2010, October-December (4th qtr) 2010, January-March (1st qtr) 2011, April-June (2nd qtr) 2011. The IRS will notify employers of their deposit frequency in November. However, it is the employer's responsibility to deposit federal taxes at the correct frequency if the notice is wrong.

CALIFORNIA STATE TAX DEPOSIT RULES:				
Your Federal Deposit	And You Have Accumulated	SDI & PIT	If Payday	
Schedule is	State PIT Withholding	Deposit Required	is	Deposit Due By
Next Banking Day	\$350 or less	NO	-	Remit w/ quarterly return or report
Next Banking Day	\$350 to \$500	YES	-	15th of following month
Next Banking Day	More than \$500	YES	-	Next Banking Day
Semi-Weekly	\$350 or less	NO	-	Remit w/ quarterly return or report
Semi-Weekly	\$350 to \$500	YES	-	15th of following month
Semi-Weekly	More than \$500	YES	Wed-Fri	Following Wednesday
Semi-Weekly	More than \$500	YES	Sat-Tues	Following Friday
Monthly	\$350 or less	NO	-	Remit w/ quarterly return or report
Monthly	More than \$350	YES	-	15th of following month
Quarterly	Less than \$350	NO	-	Remit w/ quarterly return or report
Quarterly	\$350 or more	YES	-	15th of following month

Employer contribution to SUI and ETT are due quarterly and paid with the DE88 state deposit coupon. For withholding taken from the employee's PIT & SDI, CA state deposit rules generally follow federal deposit guidelines. Once an employer makes a next banking day deposit, they automatically become a semi-weekly depositor for the remainder of that calendar year and all of the following year.