

Year 2009 Payroll Tax Changes

FICA

The social security wage base has changed for the year 2009. The maximum annual earnings subject to social security for the year **2009** is **\$106,800**. There is no maximum earnings level for Medicare. All FICA wages are subject to Medicare withholding. The FICA tax rates are 6.2% for social security and 1.45% for Medicare.

If you process your payroll in a software system, please update this software to reflect this increase in the social security wage base.

Retirement Plan Contributions/Deferrals for 2009

Maximum amount of deferral for 401(k) plans:

Up to Age 50 \$16,500

Age 50+ \$22,000

Maximum amount of deferral for Simple Plans:

Up to Age 50 \$11,500

Age 50+ \$14,000

Standard Mileage Rate

The standard mileage rate effective 1/1/09 for all business miles driven has changed to **55 cents per mile**.

Federal Unemployment

The federal unemployment wage base did not change for 2009. It will remain at \$7,000. The tax rate of federal unemployment wage will continue to be 0.8% if you submit your state unemployment deposits on a timely basis.

Nebraska State Withholding

New procedures for employers who employ 25 or more employees

Nebraska legislation LB223 is a special withholding procedure for employers who employ 25 or more employees at any one time during the year. These employers must withhold state income tax for each employee at the rate of at least one and a half percent (1½ %) (effective 4.17.2008) of gross wages, less tax-qualified deductions, unless the employee provides satisfactory evidence to the employer that a lesser state withholding amount is not an attempt to evade applicable state taxes.

The withholding tables in the 2008 Nebraska Circular EN represent implementation of the special withholding procedures. The non-shaded area indicates withholding of at least 1½% or 50% or more of the withholding for a single employee with one allowance or a married employee with two allowances. The shaded area indicates withholding amounts that do not meet these two criteria.

An employer may accept documentation from an employee whose withholding falls into the shaded area to justify the lower withholding percentage. Documentation may include verification of number of children/dependents, marital status, and level of itemized deductions. Without such documentation, the employee's withholding must be set a 1½% or at some other level within the non-shaded area of the withholding table.

Iowa State Withholding

Iowa requires that employers request an Iowa W-4 and maintain this document in their files within 15 days of hiring a new employee. This is in addition to obtaining a federal W-4.

SF2222 changes Iowa Code so that sending paychecks by mail is only an option if the employee requests this in writing. Employers must keep written requests from employees as long as the arrangement is in effect and for at least two more years. It also makes the employer liable for overdrafts which are the result of late payment of wages regardless of the method of payment, where currently this protection only applies to cases of direct deposit of paychecks.



State Unemployment

Nebraska wage base has remained unchanged for the year 2009. The maximum annual earnings subject to state unemployment for the year 2009 is \$9,000. The rate is determined by your experience. Rate notices should be received during December 2008. **Please forward a copy of this notice to us.** Please refer to your form or please call us if you need assistance in determining your rate.

Iowa wage base has changed for the year 2009. The maximum annual earnings subject to state unemployment for the year 2009 is \$23,700. The rate is determined by your experience. The Notice of Unemployment Insurance Contribution Rate should be received during December 2008. **Please forward a copy of this report to us.** Please refer to your form or please call us if you need assistance in determining your rate.

Other states: Please call if you need additional state information.

New Hire Reporting Requirement

Federal and state law requires employers to report newly hired and rehired employees to a central registry.

Nebraska: Electronic reporting is available from the following website : <https://newhirereporting.com/ne-newhire/>. Please refer to this website for more information.

You may call 888-256-0293 for assistance or if you have questions.

Iowa: Electronic reporting is available. Please refer to the following website for information:

https://dhssecure.dhs.state.ia.us/epics/static/new_hire.htm.

You may call 800-759-5881 for assistance or if you have questions.

Federal Electronic Funds Transfer

Electronic Federal Tax Payment System (EFTPS) is available to all employers. We strongly suggest enrolling in this process by completing the application on line at www.eftps.gov. This will allow all types of federal tax to be paid on-line or with a telephone call. The funds are automatically withdrawn from the bank account you specify on the date you specify. If you require assistance with this application, please notify us.



E-file & Pay of Nebraska State Withholding

Starting in 2007, Nebraska began mandating the electronic payment of withholding taxes for certain employers. This mandate was rolled out in stages during 2007 and will continue to be updated through 2010. Starting in January 2009, the mandatory level will be set to \$25,000, meaning if your 2008 withholding was \$25,000 or more you should have or will be receiving a letter from the state of Nebraska informing you that you are now required to remit withholding taxes electronically. Based on discussions with a representative at the state of Nebraska letters will be sent to taxpayers mandated to pay withholding taxes electronically. If you have received one of these letters please forward it to our attention.

Employers no longer need to complete Form 27EFT – Authorization Agreement for Electronic Funds Transfer in order to file withholding tax electronically. In February, Nebraska started allowing first time users to register with their Nebraska identification number online. The website to complete this registration is <http://www.revenue.ne.gov/electron/eft.htm>.

Quarterly Forms 941N can be filed online. There is no need to register for this service. You will receive your quarterly Form 941N with a password which will allow you to access the website to file. The website is www.revenue.state.ne.us.

E-File & Pay of Nebraska State Unemployment

The Nebraska Workforce Development requires online reporting and payment of tax if the employer has Annual gross payroll of \$500,000 or more in either of the two preceding calendar years. You will receive your quarterly form with a PIN number on the front of the form which will allow you to access the website to file. The website is www.UICONNECT.state.ne.us.