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## **2018 PAYROLL GUIDELINES**

The payroll tax rates and depository requirements effective January 1, 2018 are as follows:

<i>Social Security (FICA)</i>	6.2%* to \$128,400 for 2018 wages for a maximum of \$7,960.80.
<i>Medicare (FICA)</i>	1.45% on all 2018 wages* NO LIMIT.
<i>Additional Medicare (FICA)</i>	0.9% on wages in excess of \$200,000. (No employer matching.)
<i>State Disability</i>	1.0% to \$114,967 for 2018 wages for a maximum of \$1,149.67
<i>Federal Withholding</i>	From tax table
<i>State Withholding</i>	From tax table

\*FICA can be calculated as 7.65% up to \$128,400 and 1.45% from all wages in excess of \$128,400.

### **DEPOSIT REQUIREMENTS:**

#### **FEDERAL**

##### Electronic Deposit Requirement

You must make electronic deposits of all depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2018 via telephone or internet. If you fail to do so, you may be subject to a 10% penalty. To get more information or to enroll in EFTPS, call 1-800-555-4477, or visit [www.eftps.gov](http://www.eftps.gov). **Please call our office with any questions.**

**Please note that all payments made through EFTPS either via telephone or online must be made at least one business day in advance of due date, prior to 5 pm PST. There is one business day minimum processing time for every payment.**

Each company is either a monthly or a semi-weekly depositor. IRS will notify each employer in November of each year whether it is a monthly or semi-weekly depositor. You should have already received a notice from the IRS classifying your company. *Please forward a copy of this letter to us.*

**Lookback Period** – Your deposit schedule for a calendar year is determined from the total taxes reported on your Forms 941 (line 10) in a four-quarter lookback period. The lookback period for the 2018 calendar year begins July 1, 2016 and ends June 30, 2017. If you reported \$50,000 or less of taxes for the lookback period, you are a monthly schedule depositor; if you reported more than \$50,000, you are a semiweekly schedule depositor.

**Monthly Depositors** - Employment taxes for wages paid during the month must be deposited on or before the 15<sup>th</sup> day of the following month, unless the \$100,000 one-day rule applies (explained later).

Semi-weekly Depositors - The deposit due date depends on when wages are paid. Taxes related to wages paid on Wednesday, Thursday, and/or Friday must be deposited by the following Wednesday. Taxes related to wages paid on Saturday, Sunday, Monday, and/or Tuesday must be deposited by the following Friday.

If a quarterly return period ends on a day other than Tuesday or Friday, employment taxes accumulated on the days covered by the return period just ending are subject to one deposit obligation, and employment taxes accumulated on the days covered by the new return period are subject to a separate deposit obligation. Separate Federal Deposit (FTD) coupons are required for each deposit obligation. These rules are complex; however, if you follow a policy of making your tax deposit within three banking days of disbursing your payroll, you'll be OK unless the \$100,000 rule applies.

\$100,000 One Day Rule - If the total accumulated taxes reaches \$100,000 or more on any day during a deposit period, it must be deposited by the next banking day, whether an employer is a monthly or semi-weekly depositor. If a monthly depositor accumulates a \$100,000 employment tax liability on any day, it becomes a semi-weekly depositor on the next day and remains so for at least the remainder of the calendar year and for the following calendar year.

\$2,500 Rule – If an employer accumulates less than a \$2,500 tax liability during a quarter, no deposits are required and this liability may be paid with the tax return for the quarter.

## **STATE**

State deposits are required to be made on the same day federal deposits are due. You are required to submit deposits monthly if you withhold over \$350 in PIT.

**Employers: Beginning January 1, 2018, employers are required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the EDD.**

**Payment transactions submitted through e-Services for Business must be completed before 3 p.m. PST, for the funds to settle on the next business day. This system also allows payers to cancel their payments. Payments that have not been settled can be canceled before 3 p.m. PST, the business day before the payment settlement date.**

Please check our website at [www.pkmcpas.com](http://www.pkmcpas.com) frequently for updates. As always, if you have any questions, please do not hesitate to call us.

*Pomerantz, Kavinoky & Company*