

Payroll Taxes Summary Information

Federal Withholding is the employee's personal income tax. The employee pays this tax through regular, systematic payroll deductions. The employer withholds the tax according to tax tables that show various withholding amounts based upon the allowances and filing status indicated on the employee's form W-4. After withholding the tax, the employer is required to deposit the taxes at their local financial institution generally within three business days of the payroll date (although in some cases it is done monthly.) After that, the employer files a form 941 quarterly to reconcile the income taxes paid on behalf of the employee. This form and this tax have nothing to do with the employer's personal income tax, unless the employer draws wages and withholds taxes on the wages. Visit the IRS web site at www.irs.gov for additional information, and contact your paid tax professional.

FICA, short for the Federal Insurance Contribution Act, is the employee's Social Security and Medicare tax. This is a shared tax, and the total rate is 15.3% of the employee's total wages, with the Social Security subject to maximums that change annually. The current maximum earnings subject to Social Security is \$102,000. The breakdown of the tax is as follows: The employer (through matching contributions) and employee (through withholding) each pay 6.2% of the employee's gross wages for Social Security, for a total of 12.4% of the first \$102,000 in earnings. The employer and employee also pay 1.45% of the employee's gross wages for Medicare, with no limitations on maximum earnings. This money is deposited along with the employee's federal withholding (see above) and reconciled on form 941 as well. Again, this form has nothing to do with the employer's personal income tax, unless the employer draws wages and withholds and matches the FICA on the wages. Visit the IRS web site at www.irs.gov for additional information, and contact our paid tax professional.

FUTA is the Employee's Federal Unemployment, which is actually unemployment insurance. The employer pays all of this tax at a rate of 6.2% of the employer's first \$7,000 in earnings. The employer may be eligible to take a credit of 5.4% for state unemployment insurance, if the state unemployment is paid on time. This computes to an effective tax rate of .8%, which is deposited and reconciled on Form 940. The deposit dates and filing dates vary according to the amount due, so be sure to pay special attention to all of your notices, and ask your paid tax professional for assistance if necessary. Visit the IRS web site at www.irs.gov for additional information, and contact our paid tax professional.

The State Unemployment Insurance program benefits employees in the event their unemployment is terminated. This tax, paid by the employer, is payable to the Georgia Department of Labor. Rates vary according to the employer's claims experience, and filing dates may vary according to the number of employees and the amount of tax due. In general, the maximum rate is 5.4% of the employee's first \$8,500 in wages and may also be subject to an administrative assessment. For more information, visit your local Georgia Department of Labor office or visit www.dol.state.ga.us.

State withholding is very similar to the employee's federal withholding, except it is the employee's personal state income tax. Again, the rates are subject to the employee's filing status and number of dependents, and the employer withholds taxes from the employee's paycheck, holds the funds in trust, and pays them to the state at a later date. Funds are paid to the Georgia Department of Revenue, again based upon the number of employees and amount of withholding, but generally filed and reconciled quarterly. For more information, contact your local Georgia Department of Revenue Office in Albany, or Douglas, or visit www.dor.ga.gov.

This is not intended to be a comprehensive explanation of payroll taxes, but instead a summary overview. For additional information, contact your paid tax professional.