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Dear Business Owner:

2% PAYROLL TAX CUT. IN OR OUT FOR 2013??

At this point it is unknown if the Social Security payroll tax cuts of 2011 and 2012 will be extended to 2013. The employee Social Security rate is normally 6.2% but was reduced by 2% in 2011 and was extended to 2012. The tax cuts, intended to provide stimulus in a slow economy, were never intended to be permanent. The tax will revert to 6.2% for 2013, however, extending the cut may be part of a fiscal cliff deal, hopefully to be announced before January 1st.

SALES TAX INCREASE FOR 2013

Due to voter approval of Proposition 30, the statewide base sales and use tax rate will increase one quarter of one percent (0.25%) on January 1, 2013. The new base rate is 7.5%. The higher tax rate will apply for four years – January 1, 2013 through December 31, 2016.

NEW LAW IMPOSES LIMIT FOR MEDICAL CAFETERIA PLAN

Beginning in January 2013, employee's salary reductions for medical Flexible Spending Account (FSA) plans will be limited to a maximum of \$2,500 per year. This limit is for medical FSA's only.

STANDARD MILEAGE RATE UP 1 CENT

The IRS standard mileage rate for business miles driven in 2013 will be **56.5 cents per mile**. Please remember when reimbursing employees for the business use of their private vehicle it is an optional reimbursement rate, not mandatory. It is the maximum deductible amount you can pay your employee. If circumstances warrant you may consider a company policy that pays less than the IRS rate.

FEDS ADD EXTRA FUTA TAX FOR 2012 – DUE 1/31/13

California is a FUTA "Credit Reduction State" again for 2012. This means that due to California carrying an outstanding balance on federal loans to pay state unemployment benefits, the federal government is giving California employers less credit, or in essence, adding an additional tax of .6% on individual employee's wages to \$7,000. This amounts to \$42.00 for each employee making \$7,000 or more. This additional tax is due January 31, 2013 with your annual FUTA report Form 940.

EMPLOYER PAID HEALTH INSURANCE ON W-2's

Reporting employer-paid health insurance on 2012 W-2 forms will be voluntary for employers with less than 250 employees.

SCAMS & FRAUDULENT EMAILS/LETTERS CONTINUE TO BE A PROBLEM

Be aware that e-mails and postal service mail from companies or individuals may be a scam trying to get your money, access or infect your computer or get personal information. Be aware that the IRS does not send out e-mails to taxpayers. You can forward questionable IRS emails to phishing@irs.gov. Official looking letters from "Annual Business Registration" have been sent to some corporations telling them to submit payment of \$218 to file the annual corporation Statement of Information. Corporations can easily file this annual form online with the CA Secretary of State. The fee is only \$25.

1099's – YOU GOTTA DO 'EM

These questions are now on all business schedules and tax returns:

"Did you make any payments in 20xx that would require you to file Form(s) 1099? If "Yes", did you or will you file all required Forms 1099?" If you paid \$600 or more in rent, interest or payments for services performed by a nonemployee or outside service business, then 1099s will need to be prepared. Payments made to corporations, **except for attorneys and medical service providers**, are exempt from the 1099 requirement. Contact us for details on 1099 requirements.

2013 PAYROLL TAX RATES

SDI RATE REMAINS AT 1.0% FOR 2013: The SDI rate for 2013 remains at 1.0% but the wage limit goes up to \$100,880. SDI withholding includes SDI (State Disability Insurance) and PFL (Paid Family Leave).

SUI & ETT RATES FOR 2013: EDD determines SUI rates annually. New employers' rate is 3.4% for up to three years. UI rate for experienced employers varies based on each employers experience and balance in UI fund. The maximum rate is 6.2%. EDD has already mailed notices to employers with 2013 rates. ETT (Employment Training Tax) remains .1%.

FUTA RATES FOR 2013: The FUTA (Federal Unemployment) rate has not been announced for 2013. For 2012 rate during the year was .6% on wages to \$7,000.

HIGH INCOME EARNERS WILL PAY ADDITIONAL MEDICARE TAX IN 2013: The additional medicare tax applies to individual's wages and self-employed income over certain thresholds. The rate is .9%. All wages that are currently subject to medicare tax are subject to additional medicare tax if paid in excess of the applicable threshold. The threshold depends on your filing status. Married filing jointly is \$250,000, single is \$200,000, married filing separately is \$125,000. Contact us if you think this applies to you or your employees.

PAYROLL DEDUCTIONS: The Social Security wage limit increases to \$113,700 for 2013. If you do payroll on your own computer, be sure to get your payroll update for the new 2013 tax tables. If you do your payroll by hand, use the new tables in the 2013 Circular E (IRS Publication 15) and 2013 California Payroll Tax Guide (DE44). These guides will not be mailed to employers. They are available online at www.irs.gov and www.edd.ca.gov Quickbooks payroll requires users to set their new SUI rate each year. Please check the setting for your SUI rate and change for 2013 if necessary.

2013 Payroll Tax Rates

SDI	1.0%	(X .01) on wages to \$100,880 (Max \$1,008.80)
Social Sec. Employer	6.2%	(X .062) on wages to \$113,700 (Max \$7,049.40)
**Social Sec. Employee (see note below)	6.2%	(X .062) on wages to \$113,700 (Max \$7,049.40)
Medicare	1.45%	(X .0145) on all wages – no limit
	Note:	(6.2% Soc. Sec. + 1.45% Medicare = 7.65% FICA)
SUI	Varies	On wages to \$7,000
ETT	.1%	(X.001) on wages to \$7,000 (not all employers pay ETT)
**FUTA (2012 Rate)	.6%	(X .006) on wages to \$7,000 (certain requirements for .6% rate)

**** We will be watching for announcement of any change to 2013 rate.**

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**Best wishes for a happy holiday season and a prosperous 2013
from the Tribble & Ayala staff,**

Angels Camp Office:

Connie Pitta, Linda Blocher, Monica Tribble, Greg Cundari, and Nancy Nash

Arnold Office:

Heather Stone, Marcia Kovacs, Debbie Vandiver

Please visit our website: www.tribbleayala.com to view previous year's newsletters containing useful information.