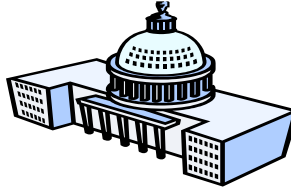


**WEST VALLEY CHAPTER
MONTHLY
TAX CORNER**



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JANUARY-FEBRUARY
2003

THE PURPOSE OF THIS UPDATE IS TO PROVIDE YOU WITH
TAX NEWS AND UPDATES FROM

THE STATE AND FEDERAL
LEGISLATIVE BRANCHES



TAXABLE WAGE BASES & RATES

*****2003*****

FEDERAL

OASDI:	LIMIT = \$87,000	RATE = .0620	(Social Security Tax)
MEDICARE:	NO LIMIT	RATE = .0145	(HI/FICA Tax)
FUTA:	LIMIT = \$7,000	RATE = .008	(Federal Unemployment)

STATE DISABILITY

<u>STATE</u>	<u>2003 WAGE BASE</u>	<u>2003 RATE</u>
California	\$56,916 (annual)	0.9% of annual wages up to wage base
Hawaii	N/A	N/A
New Jersey	\$23,900 (annual)	0.5% of weekly wages up to wage base
New York	\$120.00 (weekly)	0.5% of weekly wages up to max. of .60 cents
Rhode Island	\$45,300 (annual)	1.7% of taxable wage base

STANDARD BUSINESS MILEAGE RATE

RATE: 36.0 cents per mile

401(k)

Elective deferral limit: \$12,000

Annual Thrift compensation: \$200,000

Annual Trust compensation: \$200,000

DOMESTIC PARTNER TAXING IN CALIFORNIA

Domestic partner benefit coverage in California is exempt from imputed income calculation/taxation. The law gives domestic partners new rights to health benefits and exempts those benefits from state tax. It also treats domestic partners like spouses for purposes of unemployment, sick leave, inheritance, adoption, bringing lawsuits for personal injury, and making medical decisions for a domestic partner. The law applies to all registered domestic partners.

STATE UNEMPLOYMENT

State	2003 Wage Base	2002 Wage Base
Alabama	\$8,000	\$8,000
Alaska	\$26,700	
Arizona	\$7,000	\$7,000
Arkansas	\$9,000	\$9,000
California	\$7,000	\$7,000
Colorado	\$10,000	\$10,000
Connecticut	\$15,000	\$15,000
Delaware	\$8,500	\$8,500
District of Columbia	\$9,000	\$9,000
Florida	\$7,000	\$7,000
Georgia	\$8,500	\$8,500
Hawaii	\$29,300	\$28,400
Idaho	\$27,600	\$27,600
Illinois	\$9,000	\$9,000
Indiana	\$7,000	\$7,000
Iowa	\$19,200	\$18,600
Kansas	\$8,000	\$8,000
Kentucky	\$8,000	\$8,000
Louisiana	\$7,000	\$7,000
Maine	\$12,000	\$12,000
Maryland	\$8,500	\$8,500
Massachusetts	\$10,800	\$10,800
Michigan	\$9,500	\$9,500
Minnesota	\$22,000	\$21,000
Mississippi	\$7,000	\$7,000
Missouri	\$7,500	\$7,000
Montana	\$19,700	\$18,900
Nebraska	\$7,000	\$7,000
Nevada	\$21,500	\$20,900
New Hampshire	\$8,000	\$8,000
New Jersey	\$23,900	\$23,500
New Mexico	\$16,600	\$15,900
New York	\$8,500	\$8,500
North Carolina	\$15,900	\$15,500
North Dakota	\$18,000	\$17,400
Ohio	\$9,000	\$9,000
Oklahoma	\$11,700	\$10,500
Oregon	\$26,000	\$25,000
Pennsylvania	\$8,000	\$8,000
Puerto Rico	\$7,000	\$7,000
Rhode Island	\$12,000	\$12,000
South Carolina	\$7,000	\$7,000

Tennessee	\$7000	\$7000
Texas	\$9,000	\$9,000
Utah	\$22,500	\$22,000
Vermont	\$8,000	\$8,000
Virgin Island	\$16,800	\$15,000
Virginia	\$8,000	\$8,000
Washington	\$28,500	\$28,500
West Virginia	\$8,000	\$8,000
Wisconsin	\$10,500	\$10,500
Wyoming	\$14,700	\$14,700

The states that are **BOLDED**, have a change in wage base

HAWAII

Temporary disability insurance. The 2003 temporary disability insurance (TDI) wage base will increase to \$702.38 weekly from the 2002 wage base of \$682.59 weekly (this updates *The Payroll Source*, p. 7-38). An employer may withhold TDI contributions of one-half the premium cost, but no more than 0.5% of the employee's weekly wage, with the maximum weekly deduction not to exceed \$3.51 (was \$3.41 in 2002).

MICHIGAN

City of Detroit income tax rate. A reminder has been issued that the City of Detroit income tax rate for individuals is being reduced over a ten-year period (beginning in 1999; see PAYSTATE UPDATE, Issue No. 14, Vol. 2). Effective 1-1-03, the resident tax rate will decrease to 2.55% from 2.65% and the nonresident tax rate will decrease to 1.275% from 1.325% (City of Detroit Finance Department, Income Tax Division, Notice).

Michigan Releases 2003 Withholding Tax Formula

New income tax withholding tables, effective Jan. 1, 2003, have been released by Michigan and reproduced in this special PAG Newsletter Part 2.

For 2003, the withholding tax rate will be 4 percent. Currently, the withholding tax rate is 4.1 percent. The personal exemption amount, currently at \$3,000, will rise to \$3,100 next year.

Michigan Withholding Tax Computer Formula for 2003

PAYROLL PERIOD	ALLOWANCE PER EXEMPTION
Weekly	\$59.69
Biweekly (every 2 weeks)	\$119.23
Semimonthly (twice/month)	\$129.17
Monthly	\$258.33
Quarterly	\$775.00
Semiannually	\$1,550.00
Annually	\$3,100.00
Per day	\$8.49

MICHIGAN CONTINUED

WITHHOLDING FORMULA

Withholding = [Compensation – (Allowance per Exemption x No. of Exemptions)] x 4.0 percent

Example: A worker earning \$600/week with 3 exemptions would have the following withholding.

$$\begin{aligned} & [\$600 - (\$59.62 \times 3)] \times 4.0 \text{ percent} \\ & (\$600 - \$178.86) \times 0.040 = \$16.85 \end{aligned}$$

Connecticut Issues 2003 'Preliminary' Withholding Tables

Connecticut 2003 income tax withholding calculation rules tables have been released by the state, and are included in this PAG Newsletter Part 2.

The full set of the 2003 Connecticut Income Tax Withholding Tables is available on the Internet at: www.drs.state.ct.us/forms/03withholdingtables.htm. The tables also will be reproduced in an upcoming PAG supplement.

At this time, the only change in Connecticut withholding rates for 2003 applies to single filers (Category F). The rates as of Jan. 1, 2003, must be used for single filers in the 2003 tables in place of the rates in the tables issued in January or July 2002.

The state warns the tables are marked "preliminary" because of possible changes being considered by the Connecticut General Assembly.

IRS Issues 2003 Pub 15-A, Employer's Supplemental Tax Guide

The 2003 supplement to Circular E, *Employer's Supplemental Tax Guide* (Pub. 15-A), has been released by the IRS. Pub. 15-A contains specialized and detailed employment tax information. [Note that the 2003 version of IRS Publication 15-B, *Employer's Tax Guide to Fringe Benefits*, which includes detailed information on the employment tax treatment of fringe benefits, has not yet been issued.] The publication is available on the APA's Web site at www.americanpayroll.org/news/pub15A.html and on the IRS Web site at www.irs.gov/formspubs/lists/0..id=97802.00.html.

Items to note include:

- **Furnishing Form W-2 to employees electronically.** Employers may set up systems to furnish Forms W-2 to employees who choose to receive them in this format. Each employee participating must consent electronically, and the employer must notify employees of all hardware and software requirements to receive them. Employers must send a paper Form W-2 to any employee who does not consent or who has revoked consent previously provided.

To furnish Forms W-2 electronically, an employer must meet the following disclosure requirements and provide a clear and conspicuous statement of each of them to its employees:

(1) The employee must be informed that he or she will receive a paper Form W-2 if consent is not

Pub. 15-A explains rules on furnishing W-2s to employees electronically.

given to receive it electronically. The consent statement must be made electronically in a way that demonstrates that the employee can access the Form W-2 in the electronic form that will be used to furnish the statement.

(2) The employee must be informed how to obtain a paper copy and whether a fee will be charged for a paper copy.

(3) The employee may withdraw consent in writing at any time on 30 days notice. The employer will confirm the withdrawal in writing, and inform the employee of the consequences of the withdrawal.

(4) The employer will notify the employee of the scope and duration of the consent.

(5) The employer will inform the employee that the form may be required to be attached to his or her tax returns, and that the employee may need to print the forms.

The employer must furnish the electronic statements by the due date of the paper forms. The employer must notify the employees that the Forms W-2 will be posted on a Web site by January 31. This notice may be delivered by mail, electronic mail,

or in person.

- **Electronic deposit requirement.** Certain employers are required to deposit employment taxes using the Electronic Federal Tax Payment System (EFTPS). An employer that is required to use EFTPS and fails to do so may be subject to a 10% penalty. An employer that is not required to use EFTPS may do so voluntarily. To enroll or get more information about EFTPS, call 1-800-945-8400 or 1-800-555-4477 or visit the EFTPS Web site at www.eftps.gov.

- **Electronic submission of Forms W-4, W-4P, W-4S, W-4V, and W-5.** Employers may set up systems to electronically receive any or all of the following forms from an employee or payee: Forms W-4, W-4P, W-4S, W-4V, and W-5. If an employer establishes an electronic system to receive any of these forms, the employer does not need to process that form in a paper version.

Where an employer establishes an electronic submission system for one of the named forms, technical requirements must be met:

(1) The electronic system must ensure that the information received by the employer is the information sent by the employee;

(2) The electronic system must provide exactly the same information as the paper form;

(3) The electronic submission must be signed with an electronic signature by the payee whose name is on the form;

I am including a list of websites from APA that will provide some additional information to you.

Reference List below.

Simply click on the email address.

http://adpmajors.adp.com/w/ipay_apanews/index.htm (on-line pay statements)

<http://www.americanpayroll.org/epayx/epayxpress.html> (January E-Pay Express APA)

<http://www.americanpayroll.org/epayx/epayxpress.html> (February E-Pay Express APA)

<http://www.americanpayroll.org/epayx/epayxpress.html> (Jobs Should Remain Open for Military

Reservists Called to Duty)

See you next month.

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