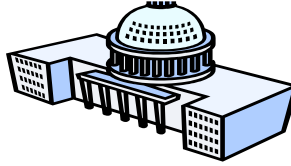


**WEST VALLEY CHAPTER  
MONTHLY  
TAX CORNER**



JANUARY - MARCH  
2004

**WEST VALLEY CHAPTER  
MONTHLY  
TAX CORNER**

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

THE STATE AND FEDERAL  
LEGISLATIVE BRANCHES  
OBTAINED FROM VARIOUS  
APA PUBLICATIONS & WEBSITES

As we start a new and exciting year I will keep you abreast of all major tax changes as they become available to us.

As you know with the start of the year many states issue new withholding tables, change exemption amounts and or limits and also change rates for Supplemental earnings.

**STATE INCOME TAX WITHHOLDING TABLES CHANGED**

<b>STATES</b>
CALIFORNIA
MAINE
MARYLAND
MICHIGAN
MINNESOTA
NEW MEXICO
NORTH CAROLINA
VERMONT

Some of the tax changes that have been issued to date are:

<u>TAX AUTHORITY</u>	<u>TAX TYPE</u>	<u>DESCRIPTION OF CHANGE</u>
New York	Withholding	Changes the wage bracket tables. Decreases the supplemental flat tax rate from 9.05% to 8.2%.
Rhode Island	Withholding	Changes the wage bracket tables and increases the exemption amount from \$3,050 to \$3,100.
Utah	Employer Unemployment	Increases the maximum wage base from \$22,500 to \$22,700.
New York City	Withholding	Changes the wage bracket tables. Decreases the supplemental flat tax rate from 5.6% to 4.8%.
All Ohio Localities	Withholding	
All Ohio Localities		All earning plans follow the Federal Medicare taxability guidelines.
Maryland	Withholding	Removes the wage bracket tables. Taxes are now calculated using a flat rate of 4.75% See Tub for details
Maryland Locals	Withholding	Various Counties have changed their rates- see listing.
Georgia	Withholding	Increases the dependent exemption amount from \$2,700 to \$3,000.
Massachusetts	Employer Unemployment	Increases the maximum wage base from \$10,800 to \$14,000.
Michigan	Withholding	Resets the withholding rate and supplemental flat rate previously issued in Bulletin #244 from 3.9% back to 4%.
Michigan	Withholding	Decreases the withholding rate and supplemental flat rate from 4% to 3.9%.
Missouri	Withholding	Increases the standard exemption amount as follows:  From \$4,750 to \$4,850 - Single. From \$3,975 to \$4,850 - Married or Married and spouse works. From \$7,950 to \$9,700 - Married and spouse does not work. From \$7,000 to \$7,150 - Head of Household.  If the employee's filing status is Head of Household, the exemption amount to be allowed is now \$3,500 for the first allowance and \$1,200 for each additional allowance thereafter.
Nevada	Employer Unemployment	Increases the maximum wage base from \$21,500 to \$22,000.
Oklahoma		Changes the calculation of the additional tax amount as follows: Reduces the tax rate from 7% to 6.65% of wages greater than \$22,560 and changes the wage bracket tables. Increases the exemption amount from \$3,050 to \$3,100.  Reduces the supplemental flat tax rate from 7% to 6.65%.
Pennsylvania	Withholding	Increases the withholding tax rate from 2.8% to 3.07%.

<b>Puerto Rico</b>	Withholding	Increases the dependent exemption amount from \$1,300 to \$1,600 and changes the wage bracket tables. Increases the Christmas bonus tax rate from 6% to 7% if the bonus amount does not exceed \$400.
<b>Arizona</b>	Employer Unemployment	Changes the benefit plan data to follow the Federal Unemployment taxability guidelines. These changes are effective immediately.
<b>Connecticut</b>	Withholding	Changes the single (CT-W4 Table F) exemption and credit tables.

## MARYLAND COUNTY TAX

### Withholding Requirements and Rates

Legislation passed by the Maryland General Assembly allowed local taxes to be calculated as a percentage of an employee's state taxable income, instead of as a percentage of his or her state income tax liability.

Subsequently, the Income Tax Division released revised income tax tables to reflect the new procedure. Listed below is the current table (2004) effective for this taxable year.

#### THOSE COUNTIES WITH RATE CHANGES HAVE BEEN LISTED IN BOLD

##### PERCENTAGE METHOD TABLES FOR TAX YEAR 2004

<b>Baltimore City</b> .....	<b>3.10%</b>
Allegany.....	3.00%
Anne Arundel.....	2.60%
Baltimore.....	2.85%
<b>Calvert</b> .....	<b>2.85%</b>
Caroline.....	2.65%
<b>Carroll</b> .....	<b>3.10%</b>
<b>Cecil</b> .....	<b>2.85%</b>
Charles.....	2.95%
Dorchester.....	2.65%
<b>Frederick</b> .....	<b>3.00%</b>
Garrett.....	2.65%
Harford.....	3.10%
<b>Howard</b> .....	<b>3.20%</b>
Kent.....	2.60%
<b>Montgomery</b> .....	<b>3.20%</b>
<b>Prince George's</b> .....	<b>3.20%</b>
<b>Queen Anne's</b> .....	<b>2.85%</b>
St. Mary's.....	3.10%
<b>Somerset</b> .....	<b>3.20%</b>
Talbot.....	2.25%
Washington.....	2.85%
Wicomico.....	3.10%
Worcester.....	1.25%

TAX AUTHORITYTAX TYPETAX DESCRIPTION

Montana	Withholding	1/1/2004	Increases the personal exemption amount from \$1,700 to \$1,780. Changes the wage bracket tables.  Note: Withholding tax is now rounded to the nearest whole dollar.
Washington	Employee Supplemental Pension Fund Assmnt.	1/1/2004	Increases the tax rate from .0343% to .0361%.
Washington	Employer Supplemental Pension Fund Assmnt.	1/1/2004	Increases the tax rate from .0343% to .0361%.
Florida	Employer Unemployment	10/15/2003 USE 1/1/2004	Changes the employee benefit plan contribution taxability from taxable to the non-taxable maximum excludable limits of \$2,500 and \$5,000 for Dependent Care Filing Separate and Dependent Care Filing Married, respectively.
Indiana	Earned Income Credit	N/A	Modifies the Earned Income Credit (EIC) Tax (Tax Type 02) issued in bulletin number 219 to now calculate EIC at 6% of the calculated Federal Earned Income Credit. This change is effective immediately.  <b>NOTE: This is not a state regulated change, but rather a BSI internal change to process the tax based on 6% of the Federal Earned Income Credit calculated tax.</b>
Indiana	Earned Income Credit	1/1/2004	Changes the wage bracket tables to reflect the Federal 2004 Earned Income Credit wage bracket tables.
Cincinnati (City)	Withholding	N/A	Adds the reciprocal formula to exclude Pennsylvania Local employee occupation (TT:51) taxes from the processing of the Cincinnati resident credit.
Massachusetts	Workforce Development Tax	1/1/2004	Corrects the tax rate issued in bulletin number 253 from .075% to .06%.
Puerto Rico	Withholding	1/1/2004	Increases the allowance amount for the following marital statuses:  From \$2,000 to \$2,100 - Single. From \$3,000 to \$3,150 - Married. From \$1,500 to \$1,575 - Married with dual income. From \$2,600 to \$2,730 - Head of Household.

## TAXABLE WAGE BASES & RATES

\*\*\*\*\*2004\*\*\*\*\*

### FEDERAL

OASDI:	LIMIT = \$87,900	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>2004 TAXABLE WAGE BASE</u>	<u>2004 RATE</u>
California	\$68,829 (annual)	1.18% of annual wages up to wage base (includes the .08% portion that employees will contribute to the new paid family leave program)
Hawaii	\$720.70(weekly wage limit)	Employers may withhold from employees one-half the cost but not more than .5% of weekly wages. (maximum weekly deduction is \$3.60).
New Jersey	\$24,300 (annual)	Employee rate is withheld at .5% of pay period taxable wage up to the wage limit. Employer rate is .5% of taxable wage up to the wage limit.
New York	\$120.00 (weekly wage limit)	0.5% of weekly wages up to max. of .60 cents
Rhode Island	\$46,800 (annual)	1.5% of annual earnings up (maximum employee contribution of \$702)

## STANDARD BUSINESS MILEAGE RATE

RATE: 37.5 cents per mile

## 401(k)

Elective deferral limit: \$13,000

Catch-up contributions \$3,000 (employee age 50 or older, after your maximum dollar limit has been reached, you can make annual "catch-up" contributions)

Annual Thrift compensation: \$205,000

Annual Trust compensation: \$205,000

## SIX STATES RAISING MINIMUM WAGE

<b>State</b>	<b>Minimum Wage</b>	<b>Effective Date</b>
California	\$8.50	<b>02/02/04 City of SF</b>
Connecticut	\$7.10	<b>01/01/04</b>
Illinois	\$8.50	<b>01/01/04</b>
Oregon	\$7.05	<b>01/01/04</b>
Vermont	\$6.75	<b>01/01/04</b>
Washington	\$7.16	<b>01/01/04</b>

### STATE UNEMPLOYMENT WAGE BASES

States that have a base change are in **BOLD**. \* = Unconfirmed wage base change.

\*\*Amount is subject to change by Legislature (March 2004)

<u>State</u>	<u>2003 Wage Base</u>	<u>2004 Wage Base</u>
Alabama	\$8,000	\$8,000
<b>Alaska</b>	\$26,700	<b>\$27,100</b>
Arizona	\$7,000	\$7,000*
<b>Arkansas</b>	\$9,500	<b>\$10,000</b>
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
<b>Hawaii</b>	\$30,200	<b>\$31,000*</b>
<u>Idaho</u>	\$27,600	\$27,600*
<b>Illinois</b>	\$9,000	<b>\$9,800</b>
Indiana	\$7,000	\$7,000
<b>Iowa</b>	\$19,200	<b>\$19,700</b>
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
<b>Massachusetts</b>	\$10,800	<b>\$14,000</b>
Michigan	\$9,000	\$9,000
<u>Minnesota</u>	\$22,000	\$22,000
Mississippi	\$7,000	\$7,000
<b>Missouri</b>	\$7,500	<b>\$8,000</b>
<b>Montana</b>	\$19,700	<b>\$20,300</b>
Nebraska	\$7,000	\$7,000
<b>Nevada</b>	\$21,500	<b>\$22,000</b>
New Hampshire	\$8,000	\$8,000
<b>New Jersey</b>	\$23,900	<b>\$24,300</b>
<b>New Mexico</b>	\$16,600	<b>\$16,800</b>
New York	\$8,500	\$8,500
<b>North Carolina</b>	\$15,900	<b>\$16,200</b>
<b>North Dakota</b>	\$18,000	<b>\$18,500</b>
Ohio	\$9,000	\$9,000
<b>Oklahoma</b>	\$11,700	<b>\$14,300</b>
<b>Oregon</b>	\$26,000	<b>\$27,000</b>
Pennsylvania	\$8,000	\$8,000
Puerto Rico	\$7,000	\$7,000
<b>Rhode Island</b>	\$12,000	<b>\$14,000</b>
South Carolina	\$7,000	\$7,000
South Dakota	\$7,000	\$7,000**
Tennessee	\$7,000	\$7,000
Texas	\$9,000	\$9,000
<b>Utah</b>	\$22,500	<b>\$22,700*</b>
Vermont	\$8,000	\$8,000
<b>Virgin Island</b>	\$16,800	<b>\$18,400*</b>
Virginia	\$8,000	\$8,000
<b>Washington</b>	\$29,700	<b>\$30,200</b>
West Virginia	\$8,000	\$8,000
Wisconsin	\$10,500	\$10,500
<b>Wyoming</b>	<b>\$14,700</b>	<b>\$15,900</b>