

Herbein + Company, Inc.

2022 PAYROLL TAX RATES AND OTHER MATTERS

Effective January 1, 2022

FEDERAL WITHHOLDING

The new Circular E has not been published. Continue to use the 2021 Circular E until revised tables are available at [irs.gov](https://www.irs.gov).

FICA (SOCIAL SECURITY) TAX

	MAXIMUM WAGE BASE	EMPLOYER TAX RATE	EMPLOYEE TAX RATE
Medicare Basic Hospital Insurance Portion (MBHI)	No limit	1.45%	1.45%
Old-Age, Survivors, and Disability Insurance portion (OASDI)	\$147,000	6.20%	6.20%
Total FICA		7.65%	7.65%

ADDITIONAL MEDICARE TAX

Wages more than \$200,000 will be subject to an additional 0.9% Medicare tax which must be withheld from the employee's wages.

FEDERAL UNEMPLOYMENT TAX

0.6% of the first \$7,000 of wages for each employee

PA UNEMPLOYMENT TAX

- + Employer: State will notify you of your contribution rate; applied to first \$10,000 of wages for each employee.
- + Employee: .06% of all wages (no limit).

PA PERSONAL INCOME TAX

3.07% of compensation.

SELF-EMPLOYMENT TAX

	MAXIMUM WAGE BASE	TAX RATE
Medicare Basic Hospital Insurance Portion (MBHI)	Unlimited	2.90%
Old-Age, Survivors, and Disability Insurance portion (OASDI)	\$147,000	12.40%
Total Self-Employment Tax		15.30%

Additional Medicare Tax - Additional Medicare tax of 0.9% on SE income more than \$200,000

401(k), 403(b) AND 457 PLAN CONTRIBUTION LIMIT

\$20,500; \$6,500 additional deferral for age 50 and over

SIMPLE PLANS

\$14,000; \$3,000 additional deferral for age 50 and over.

MINIMUM WAGE

\$7.25 per hour (A higher minimum wage applies to contractors and subcontractors of the city of Philadelphia)

SOCIAL SECURITY BENEFITS

Maximum amount retired employees can earn before losing Social Security benefits in 2022:

- + Under full retirement age (FRA): \$19,560 (\$1,630/month)
- + In year of FRA: \$51,960 (\$4,330/month)
- + FRA and over: no limitations

2022 AUTOMOBILE MILEAGE REIMBURSEMENT RATES

- + 58.5 cents per mile for business use
- + 14 cents per mile for charitable use
- + 18 cents per mile for medical or moving

LOCAL SERVICES TAX (PA)

Generally, \$52.00 (Deducted \$1.00/week) with an exemption for those whose total earned income is less than \$12,000 for the calendar year. Check with your local EIT Bureau.

SELECT CITY TAXES

	RESIDENT	NON RESIDENT
+ Philadelphia Wage Tax	3.8398%	3.4481%
+ Pittsburgh Earned Income Tax	3.00%	1.00%
+ Pittsburgh Payroll Expense Tax by employers .0055 (.55%)	.0055 (.55%)	.0055 (.55%)
+ Reading Earned Income Tax	3.60%	1.30%
+ Allentown Earned Income Tax	1.35%	1.35%
+ Bethlehem Earned Income Tax	1.00%	1.00%



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PAYROLL RETURN AND FORM W-2 FILING RULES

- Employers filing more than 249 forms W-2, W-2c, W-3c, 1099, 1042-S or 8027 must file the forms electronically using the IRS Filing Information Returns Electronically System (FIRE). Visit <http://fire.irs.gov> for more information.
- Regarding the filing of copies of Form W-2 with the Social Security Administration, a business filing electronically for the first time is required to register to use the SSA Business Services Online (BSO) at <http://ssa.gov/bsa/bsowelcom.htm>
 - o Small submitters (fewer than 250 Forms W-2) may be able to file the Forms W-2 online.
- The Affordable Care Act generally requires employers to report the cost of coverage under an employer-sponsored group health plan.
 - o IRS Notices provide relief by making this requirement optional for certain smaller employers until the IRS issues final guidance. The relief is that employers who filed fewer than 250 Forms W-2 for the previous calendar year will not be required to report the cost of health insurance coverage on the 2020 Forms W-2.
 - o Reporting the cost of health care coverage on the Form W-2 does not mean that the coverage is taxable. The value of the employer's excludable contribution to health coverage continues to be excludable from an employee's income. This reporting is for informational purposes only and is intended to provide employees with useful and comparable consumer information on the cost of health care coverage.

FORM 1099 REPORTING RULES

- Federal Form 1099 required for any interest, dividend, rent, royalty, attorney fee and non-employee compensation made during 2021 more than \$10 per payee for interest, dividends, and royalties or \$600 per payee for other payments
- When filing Forms 1099 a telephone number for the contact person to answer questions must be provided
- Due dates for 1099 filing remain the same – to recipient by 1/31/2022, paper filed copies to the IRS by 2/28/2022, e-filed with the IRS by 3/31/2022 (NOTE due date for e-filed W-2s is 1/31/2022).
- Use Form 1099-NEC to specifically report Non-Employee Compensation. Form 1099-MISC is still available for other miscellaneous payments
- IRS penalties late or unfiled Forms 1099 are \$50 each for 30 days late, \$110 each 31 days through 8/31, \$280 each after 8/31 and \$570 each for intentional disregard.
- Pennsylvania requires payors of either non-employee compensation or payments under an oil or gas lease within PA to submit a copy of federal Form 1099-MISC to the PA Department of Revenue
- Pennsylvania also requires payors that file PA employer withholding electronically to electronically file Form 1099-MISC and Form 1099-NEC in Pennsylvania using e-tides. Must be included with PA-1667 filing.
 - o The due date for filing Form 1099-MISC or Form 1099-NEC with the PA DOR is 1/31/2022
- Payments of more than \$5,000 of rent or royalty payments on PA property to PA non-residents are subject to PA personal income tax withholding at 3.07%. This also applies to non-employee compensation more than \$5,000 paid to non-residents

DEFERRAL OF DEPOSIT AND PAYMENT OF EMPLOYEES SHARE OF SOCIAL SECURITY AND SELF-EMPLOYED PERSONS SELF-EMPLOYMENT TAX

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) allowed employers to defer the deposit and payment of employee's share of Social Security taxes and self-employed individuals to defer payments of self-employment taxes from September 1, 2020 to December 31, 2020.
- The deferral of withholding of Social Security taxes was optional for employers, and if taken, withholding and repayment was to begin on January 1, 2021.
- The total deferred amount was originally to be remitted on or before April 30, 2021. However, the Consolidated Appropriations Act of 2021 (CAA 2021) extended the repayment date until January 3, 2022.

DEFERRAL OF EMPLOYER'S PORTION OF SOCIAL SECURITY TAXES UNDER CARES ACT

- In addition, the CARES Act also allowed employers to defer payment of the employer's portion of Social Security tax for wages paid between March 27, 2020 and December 31, 2020.
 - o There is a similar rule for a portion of Self-Employment Tax for Self-Employed persons
- The repayment of the first 50% of the deferral is required by January 3, 2022. The remaining 50% is due by January 3, 2023.
- If the deferral is not repaid timely, the taxpayer is subject to penalty and interest based on the original liability date for the amounts deferred. Therefore, if the first 50% is not made by January 3, 2022, a 10% penalty for late payment of payroll liabilities, may be assessed on the entire deferral. Likewise, if the second 50% is not made by January 3, 2023 another 10% penalty could be assessed.
 - o Self-employed persons are not subject to the 10% penalty for late payment of payroll liabilities.
 - o They can be subject to underpayment penalties if repayment of the deferral is not made by the applicable date.
 - o Self-employed person should make these payments through estimated taxes or withholding.

This info is current as of 12/22/2021, any changes or updates can be found at herbein.com/resource.



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