

2024 Payroll Tax Rates and Other Matters

Effective January 1, 2024

Federal Withholding

The new Circular E has not been published. Continue to use the 2023 Circular E until revised tables are available at 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)	\$168,600	6.20%	6.20%
Total FICA		7.65%	7.65%

Additional Medicare Tax

Wages more than \$200,000 (\$250,000 for married filing jointly, \$125,000 for MFS) are 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: .07% 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)	\$168,600	12.40%
Total Self-Employment Tax		15.30%

Additional Medicare Tax - Additional Medicare tax of 0.9% on SE income more than \$200,000 (\$250,000 for joint returns, \$125,000 for married filing separate returns)

SIMPLE Plans

\$16,000; \$3,500 additional deferral for age 50 and over.

Minimum Wage

\$7.25 per hour

Social Security Benefits

Maximum amount retired employees can earn before losing Social Security benefits in 2024:

- + Under full retirement age (FRA): \$22,320 (\$1,860/month)
- + In year of FRA: \$59,520 (\$4,960/month)
- + FRA and over: no limitations

401(k), 403(b) and 457 Plan Contribution Limit

\$23,000; \$7,500 additional deferral for age 50 and over.

2023 Automobile Mileage Reimbursement Rates – waiting for 2024 rates from IRS

January 1 through December 31, 2023

- + 65.5 cents per mile for business use
- + 14 cents per mile for charitable use
- + 22 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	3.75%	3.44%
+ Pittsburgh Earned Income Tax	3.00%	1.00%
+ Pittsburgh Payroll Expense Tax by employers	.0055 (0.55%)	
+ Reading Earned Income Tax	3.60%	1.00%
+ Allentown Earned Income Tax	1.35%	1.35%
+ Bethlehem Earned Income Tax	1.00%	1.00%

Payroll return and Form W-2 filing rules

- Employers filing more than 9 forms W-2, W-2c, W-3c, 1099, 1042-S, 1094, 1095B, 1095C, 1097-BTC, 1098, 3921, 3922, 5498 or 8027 must file the forms electronically using the IRS Filing Information Returns Electronically System (FIRE). Visit <http://fire.irs.gov> for more information. *NOTE that as of 11/20/2023 the FIRE system will be down for annual updates from 11/27/2023 through 01/07/2024 and is not currently active for 2023 forms.*
- 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/bsowelcom.htm>
- The Affordable Care Act generally requires employers to report the cost of coverage under an employer-sponsored group health plan.
 - 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 2023 Forms W-2.
 - 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 2023 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 – to recipient by 1/31/2024 paper filed copies to the IRS by 2/28/2024, e-filed with the IRS by 4/1/2024 (NOTE due date for e-filed W-2s and 1099-NEC is 1/31/2024).
- 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 \$60 each for 30 days late, \$120 each 30 days through 8/1, \$310 each after 8/1 and \$630 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 myPATH (mypath.pa.gov). Must be included with PA-1667 filing.
 - The due date for filing Form 1099-MISC or Form 1099-NEC with the PA DOR is 1/31/2024.

- 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.
- 1099-K reminder – the threshold for reporting payments remains at an aggregate of \$600 for 2023.

Other inflation adjusted amounts for 2024:

- Standard Deduction - The standard deduction for married couples filing jointly for tax year 2024 rises to \$29,200, an increase of \$1,500 from tax year 2023. For single taxpayers and married individuals filing separately, the standard deduction rises to \$14,600 for 2024, an increase of \$750 from 2023; and for heads of households, the standard deduction will be \$21,900 for tax year 2024.
- Tax rates - For tax year 2024, the top tax rate remains 37% for individual single taxpayers with incomes greater than \$609,350 (\$731,200 for married couples filing jointly).

The other rates are:

35% for incomes over \$243,725 (\$487,450 for married couples filing jointly)
32% for incomes over \$191,950 (\$383,900 for married couples filing jointly)
24% for incomes over \$100,525 (\$201,050 for married couples filing jointly)
22% for incomes over \$47,150 (\$94,300 for married couples filing jointly)
12% for incomes over \$11,600 (\$23,200 for married couples filing jointly)

The lowest rate is 10% for incomes of single individuals with incomes of \$11,600 or less (\$23,200 for married couples filing jointly).

- Estate tax exclusion - Estates of decedents who die during 2024 have a basic exclusion amount of \$13,610,000, increased from \$12,920,000 for estates of decedents who died in 2023.
- Annual gift tax exclusion - The annual exclusion for gifts increases to \$18,000 for calendar year 2024, increased from \$17,000 for calendar year 2023.