

TIMMERMANN & COMPANY, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

DALE E. TIMMERMANN, CPA

105 SOUTH FOURTH STREET
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MEMBERS
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ILLINOIS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

January 1, 2013

Dear Client:

Enclosed is a chart of payroll tax rates for the calendar year **2013**. The temporary payroll tax cut to the **EMPLOYEE** social security rate has expired. Beginning January 1, 2013, the employee and employer social security rate is 6.2%. Even if you use Quickbooks or other software to calculate your payroll, you need to be aware of this change in order to know if your software is calculating correctly. If you need help implementing this change, please let us know. We will continue to keep you updated of any additional tax laws that involve payroll taxes.

In 2011, Illinois employers were subject to an additional .3% FUTA tax on the Federal 940. This additional tax was due to the State of Illinois not repaying all the federal loans for unemployment. For **2012**, Illinois employers are **NOT** subject to this additional tax. Illinois employers will receive the entire 5.4% credit for state unemployment taxes and will only pay the .6% federal unemployment tax. If you have any questions, please give us a call.

Also enclosed is information regarding 1099 filing requirements.

Yours very truly,

Tricia Elam

Enclosures

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SUMMARY OF PAYROLL RATES EFFECTIVE JANUARY 1, 2013

SOCIAL SECURITY, MEDICARE, AND SELF-EMPLOYMENT TAXES

2013 wage or earnings base for social security and self-employment taxes	\$113,700.00
Employers' social security tax rate	6.2%
Employee's withholding rate	* 6.2%
2013 wage or earnings base for Medicare	All wages subject to Medicare
Employer's Medicare tax rate	1.45%
Employee's withholding rate	* 1.45%
Self-employment tax rate	15.3%
* For a combined withholding rate of	7.65%

FEDERAL UNEMPLOYMENT TAXES

2013 wage base	\$ 7,000.00
Federal unemployment tax rate	.6%

STATE UNEMPLOYMENT TAXES

2013 wage base	\$ 12,900.00
State unemployment tax rates:	
Minimum Rate:	0.55%
Maximum Rate:	8.95%

An employer whose contribution rate is 5.5% or higher and whose total quarterly wages are less than \$50,000 pays contributions at 5.4% that quarter.

The Illinois minimum wage rate as of July 1, 2010 is \$8.25 per hour.

The business mileage rate for 2013 is 56½ cents per mile.

Summary of Illinois Minimum Wage Law

Illinois Minimum Wage effective January 1, 2005 **\$ 6.50 per hour**

Minimum Wage for tipped employees (see below for more information)
Effective January 1, 2005 **\$ 3.90 per hour**

Illinois is now one of many states that has a minimum wage higher than the Federal level. Illinois employers are required to pay this rate rather than the Federal rate when it is higher than the Federal rate. It is important to note that the Federal minimum law has not changed. The law allows Illinois employers to pay workers age 17 and under less than those 18 or older. Workers 17 and under may be paid \$6.00 an hour effective January 1, 2005.

Tipped employees are currently allowed a tip credit of 40% of the minimum wage amount. Effective January 1, 2005, this credit is \$2.60 per hour. However, tips reported when added to the wages paid must equal or exceed the minimum wage amount. The employer is required to make up any differences if tips reported are less than these amounts. Of course all tips received should be reported by employees. The amounts shown above are only the dollar amounts needed to comply with minimum wage laws.

If you have specific questions about the minimum wage law, please contact us.

Provided by:

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