

ASHER & COMPANY, LTD.

Payroll Tax Rates and Other Matters

Effective: January 1, 2007

Payroll Taxes:

Income Tax Withholding

There are six basic tax brackets of 10%, 15%, 25%, 28%, 33%, and 35%. The 2007 Withholding Table (Circular E) issued by the Internal Revenue Service reflects these rates.

Social Security Employee Tax Table

There are two separate wage bases for the OASDI and Medicare (HI) portions of FICA. Social Security requires a withholding of 6.2% OASDI tax. The related wage base is \$97,500. For 2007, Medicare requires a withholding of 1.45% which must be withheld from all wages paid. Employers also must pay Social Security and Medicare taxes on covered employees in the same amount as that withheld.

Federal Unemployment Tax

The wage base remains at \$7,000. Effective tax rate for 2007 will be .8% and deposits should be made at that rate. Effective January 1, 2007, the IRS will require employers to make quarterly deposits for unemployment taxes only if the accumulated tax exceeds \$500.

Pennsylvania Income Tax

The Pennsylvania state withholding rate will be 3.07% for 2007.

Pennsylvania Unemployment Tax

Wages subject to unemployment contributions remain at \$8,000 for 2007. Employer rates vary based on experience and in 2007 their rate will be affected by a 7.2% surcharge on the contribution rate and an additional .6% tax. In 2007, employees will also be subject to a withholding tax at the rate of .09% (90 cents per \$1,000) on all wages.

New Jersey Income Tax

The New Jersey State withholding rates for 2007 range from 1.5% to 9.9% on graduated levels of income for 2007.

New Jersey Unemployment Tax

Wages subject to unemployment contributions will increase from \$25,800 to \$26,600 for 2007. Employer rates vary based on experience. The withholding rate for employees will be .925% for a maximum withheld amount of \$246.05.

City of Philadelphia Wage Tax

For 2007 the Philadelphia wage tax rate will be 4.26% for residents and 3.7557% for non-residents.

Other Matters:

Retirement Earnings Test for Social Security Recipients

Employees age 62 through 64 can earn a maximum of \$12,960 per year with no reduction in benefits. In 2007 maximum earnings in the year an employee turns 65 will increase to \$34,440. However, there is no limit on earnings beginning in the month an employee attains age 65.

401(k) Plan Limitation

The annual employee elective deferral limit is \$15,500 for 2007. For employees 50-years-old and above there is an additional permitted deferral of \$5,000.

Forms W-4, W-9, and I-9

Remind all employees to complete Form W-4 and claim all the allowances to which they are entitled. Be sure to receive Form W-9 for all commissions, interest, rents, etc. paid to individuals. Form I-9 (Employment Eligibility Verification) and the New Hire form are mandatory for all employees and should be completed on the first day of employment. These can be obtained from your payroll service.

Asher was awarded the **Gold Team Philadelphia Cares Day STAR** award by Greater Philadelphia Cares.



l to r: Randee Mellon and Bill Burns of Asher with Lissa Hilsee, President and CEO of Greater Philadelphia Cares.

ASHER NEWS



Asher named one of the **Best Places to Work** by the *Philadelphia Business Journal*.

ASHER & COMPANY, LTD.

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