
FEDERAL TAX CHANGES FOR 2013

FICA TAX WITHHOLDING CHANGE

The FICA rate for calendar years 2010 and 2011 was 7.65% for the University and 5.65% for each employee. The rate was comprised of a Social Security tax withholding rate of 6.2% for the employer and 4.2% for the employee, and a Medicare tax withholding rate of 1.45% for both employer and employee. The *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* provided a two percentage point payroll tax cut for employees, reducing their Social Security tax withholding rate from 6.2% to 4.2% of wages paid. The reduced Social Security withholding will have no effect on the employee's future Social Security benefits.

The reduced Social Security tax rate is no longer available for employees beginning with calendar year 2013. The change is effective for calendar year 2013 payrolls. In summary, the Social Security withholding tax rate will be 6.2% for both the University as employer and for employees beginning in calendar year 2013. The social security wage base limit for 2013 is \$113,700. There is no wage base limit for the Medicare tax.

ADDITIONAL MEDICARE TAX WITHHOLDING

Beginning in calendar year 2013, the University as employer must withhold a 0.9% Additional Medicare Tax from wages paid to an employee in excess of \$200,000 in a calendar year. The Additional Medicare tax is only applicable to the employee. There is no employer share of the Additional Medicare Tax. All wages that are subject to Medicare tax are subject to Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

FEDERAL INCOME TAX WITHHOLDING

On January 3, 2013, the Internal Revenue Service provided early release copies of the 2013 federal income tax withholding tables. These 2013 Percentage Method Tables for federal Income tax withholding have been implemented and will be used effective with Biweekly Payroll 14 to be paid on 01/11/2013 and with the Monthly Payroll to be paid on 01/31/2013. Additional information on federal income tax withholding is available at <http://www.irs.gov/pub/irs-pdf/n1036.pdf>

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payroll@unc.edu

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