



We have summarized the major changes, as of this date, which will affect your payroll tax calculations **effective January 1, 2017**. Check our website, www.hfco.com, for periodic updates.

FEDERAL INDIVIDUAL INCOME TAX

The federal individual tax rates remain the same for 2017. Some of the tax bracket amounts have changed slightly after inflation adjustments. Election results could bring tax law changes in 2017. The personal exemption for 2017 remains at \$4,050. (See schedule 1 for tax brackets, rates and standard deductions)

NEW JERSEY INDIVIDUAL TAX

New Jersey individual tax rates are unchanged for 2017. The tax rates start at 1.4% with a graduating tax schedule rising to a maximum tax rate of 8.970%. (See schedule 2 for tax brackets and rates)

PENNSYLVANIA INDIVIDUAL TAX

The Pennsylvania individual income tax withholding rate remains at 3.07% for 2017.

PHILADELPHIA WAGE TAX

The withholding rate for Philadelphia City Wage Tax remains at 3.9004% (or .039004) for residents and at 3.4741% (or .034741) for non-residents. (rates as of 7/1/16)

PHILADELPHIA INCOME INEQUALITY INITIATIVE

Effective January 1, 2015, all Philadelphia employers must provide notice to their employees and non-payroll workers of the federal Earned Income Tax Credit ("EITC") program. This notice should be sent at the same time as the form W-2, 1099, or other comparable form.

SOCIAL SECURITY TAX

The social security wage base for 2017 will increase to \$127,200.

Social Security Tax is broken into two sections, Social Security and Medicare. The following is each section's rate and base for 2017:

	Social Security	Medicare
Rate - Employer	6.2%	1.45%
Rate - Employee	6.2%	1.45%
Base	\$127,200	Unlimited
Maximum Employer Portion	\$7,886.40	Unlimited
Maximum Employee Portion	\$7,886.40	Unlimited

An employer must withhold additional Medicare tax from wages it pays to an individual in excess of \$200,000 in a calendar year, without regard to the individual's filing status or wages paid by another employer. The rate on the additional Medicare Tax is 0.9% and is only paid by the employee. This information is subject to change based on the policies of the new federal administration.

As a reminder, 2016 year-end PA W-2 information is due by Jan. 31, 2017, and may be filed via multi-import file upload in e-TIDES at www.etides.state.pa.us. This includes W-2 Transmittals (REV-1667), employee wage statements and 1099R forms.

Employers that file 250 or more W-2 forms are required to file electronically. Taxpayers who file fewer than 250 W-2 forms are also encouraged to explore electronic filing, which is fast, free and convenient, offering advantages such as error-reducing automatic calculators, instant confirmation of successful filing, faster processing and easy access to filing history.

If you have any questions regarding electronic filing, please visit the department's Business Tax e-Services Center at www.revenue.state.pa.us or call 717-787-7635.

FEDERAL UNEMPLOYMENT TAX

The FUTA tax rate decreased to 6.0% beginning July 1, 2011. The maximum state credit is 5.4% for a net tax of 0.6% (.006) on the first \$7,000 of wages per employee. Pennsylvania and New Jersey's maximum state credit is 5.4% for a net tax of .6% (.006) for 2017.

NEW JERSEY UNEMPLOYMENT

The maximum taxable wages for New Jersey Unemployment and Disability will increase to \$33,500 per employee. The withholding rate will increase to 0.7650% (.007650). The employee percentage for January 1, 2017 to December 31, 2017 is divided as follows:

<u>0.3825%</u>	Unemployment
<u>0.0425%</u>	Workforce Development
<u>0.2400%</u>	Disability
<u>0.1000%</u>	Family Leave Insurance
<u>0.7650%</u>	

PENNSYLVANIA UNEMPLOYMENT

The maximum taxable wages for Pennsylvania Unemployment increases from \$9,500 to \$9,750 per employee. The surcharge on employer contributions remains at 5.1% (.051). The employer additional contribution remains at 0.65% (.0065). The additional employer interest factor tax remains at 1.1% (.011). The percentage of employee wages required to be withheld as unemployment compensation tax remains at 0.07% (.0007). This 0.07% tax does not have a wage limit. In addition, starting January 1, 2017, these contributions must be paid electronically if the total liability owed is \$5,000 or greater.

401(K) LIMITS

The maximum employee contributions is unchanged at \$18,000 for 2017. Please note that this contribution is limited to the lesser of \$18,000 or the percentage of wages specified in your 401(k) Plan document. The maximum employee contributions for employees age 50 or older is \$24,000 for 2017. The contribution is limited to the lesser of \$24,000 or the percentage of wages specified in your 401(k) Plan document.

QUICKBOOKS

Please note that if you have payroll with QuickBooks and you keep current with all the payroll updates, QuickBooks makes the changes automatically; however, double checking with the rates here is encouraged.

MINIMUM HOURLY WAGE

	<u>Amount</u>	<u>Effective Date</u>
Federal	\$7.25	July 24, 2009
New Jersey	\$8.44	January 1, 2017
Pennsylvania	\$7.25	July 24, 2009

AFFORDABLE CARE ACT (ACA)

In 2016 the federal government required the filing of new forms relating to the Affordable Care Act. These forms: 1094B, 1095B, 1094C and 1095C must be completed by employers with 50 or more full-time employees or equivalents. If you are required to file these forms and need help, please contact one of us directly.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT:

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Schedule 1

Federal Personal Income Tax Rates for 2017

	Taxable Income		Tax Bracket
	Over	But Not Over	
Single Individuals	\$0	\$9,325	10% of the taxable income
	\$9,325	\$37,950	\$932.50 plus 15% of the excess over \$9,325
	\$37,950	\$91,900	\$5,226.25 plus 25% of the excess over \$37,950
	\$91,900	\$191,650	\$18,713.75 plus 28% of the excess over \$91,900
	\$191,650	\$416,700	\$46,643.75 plus 33% of the excess over \$191,650
	\$416,700	\$418,400	\$120,910.25 plus 35% of the excess over \$416,700
	\$418,400	Over	\$121,505.25 plus 39.6% of the excess over \$418,400
Standard Deduction \$6,350			The phase-out of personal exemptions begins at \$261,500 of adjusted gross income.
Married Filing Jointly & Surviving Spouses	\$0	\$18,650	10% of the taxable income
	\$18,650	\$75,900	\$1,865.00 plus 15% of the excess over \$18,650
	\$75,900	\$153,100	\$10,452.50 plus 25% of the excess over \$75,900
	\$153,100	\$233,350	\$29,752.50 plus 28% of the excess over \$153,100
	\$233,350	\$416,700	\$52,222.50 plus 33% of the excess over \$233,350
	\$416,700	\$470,700	\$112,728.00 plus 35% of the excess over \$416,700
	\$470,700	Over	\$131,628.00 plus 39.6% of the excess over \$470,700
Standard Deduction \$12,700			The phase-out of personal exemptions begins at \$313,800 of adjusted gross income.
Married Filing Separately	\$0	\$9,325	10% of the taxable income
	\$9,325	\$37,950	\$932.50 plus 15% of the excess over \$9,325
	\$37,950	\$76,550	\$5,226.25 plus 25% of the excess over \$37,950
	\$76,550	\$116,675	\$14,876.25 plus 28% of the excess over \$76,550
	\$116,675	\$208,350	\$26,111.25 plus 33% of the excess over \$116,675
	\$208,350	\$235,350	\$56,364.00 plus 35% of the excess over \$208,350
	\$235,350	Over	\$65,814.00 plus 39.6% of the excess over \$235,350
Standard Deduction \$6,350			The phase-out of personal exemptions begins at \$156,900 of adjusted gross income.
Head of Household	\$0	\$13,350	10% of the taxable income
	\$13,350	\$50,800	\$1,335.00 plus 15% of the excess over \$13,350
	\$50,800	\$131,200	\$6,952.50 plus 25% of the excess over \$50,800
	\$131,200	\$212,500	\$27,052.50 plus 28% of the excess over \$131,200
	\$212,500	\$416,700	\$49,816.50 plus 33% of the excess over \$212,500
	\$416,700	\$444,550	\$117,202.50 plus 35% of the excess over \$416,700
	\$444,550	Over	\$126,950.00 plus 39.6% of the excess over \$444,550
Standard Deduction \$9,350			The phase-out of personal exemptions begins at \$287,650 of adjusted gross income.

***See IRS Notice 1036 or Circular E (Publication 15 and 15-A) for withholding amounts that should be made through payroll.**

Schedule 2

New Jersey Income Tax Rates for 2017

Please note that these rates are New Jersey Income Tax Rates, not Withholding Tax Rates.

FOR MARRIED/CU PARTNERS FILING JOINTLY, HEADS OF HOUSEHOLDS, AND SURVIVING SPOUSES/CU PARTNERS

Taxable Income	Tax Rate
Not over \$20,000	1.4%
\$20,001 - \$50,000	\$280 plus 1.750% of excess over \$20,000
\$50,001 - \$70,000	\$805 plus 2.450% of excess over \$50,000
\$70,001 - \$80,000	\$1,295.50 plus 3.500% of excess over \$70,000
\$80,001 - \$150,000	\$1,645 plus 5.525% of excess over \$80,000
\$150,001 - \$500,000	\$5,512.50 plus 6.370% of excess over \$150,000
Over \$500,000	\$27,807.50 plus 8.970% of excess over \$500,000

FOR TAXPAYERS WHOSE FILING STATUS IS SINGLE, MARRIED/CU PARTNERS FILING SEPARATE RETURNS, ESTATES, AND TRUSTS

Taxable Income	Tax Rate
Not over \$20,000	1.4%
\$20,001 - \$35,000	\$280 plus 1.750% of excess over \$20,000
\$35,001 - \$40,000	\$542.50 plus 3.500% of excess over \$35,000
\$40,001 - \$75,000	\$717.50 plus 5.525% of excess over \$40,000
\$75,001 - \$500,000	\$2,651.25 plus 6.370% of excess over \$75,000
Over \$500,000	\$29,723.75 plus 8.970% of excess over \$500,000