



We have summarized the major changes, as of this date, which will affect your payroll tax calculations **effective January 1, 2018**. Check our website, www.hfco.com, for periodic updates.

FEDERAL INDIVIDUAL INCOME TAX

The federal individual tax rates changed for 2018 to reflect the Tax Cuts and Jobs Act new law. The personal exemption for 2018 was repealed. (See schedule 1 for tax brackets, rates and standard deductions)

NEW JERSEY INDIVIDUAL TAX

New Jersey individual tax rates are unchanged for 2018. 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 2018.

PHILADELPHIA WAGE TAX

The withholding rate for Philadelphia City Wage Tax effective July 1, 2017 for residents is 3.8907% (or .038907) and for non-residents 3.4654% (or .034654).

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 2018 will increase to \$128,400.

Social Security Tax is broken into two sections, Social Security and Medicare. The following is each section's rate and base for 2018:

	Social Security	Medicare
Rate - Employer	6.2%	1.45%
Rate - Employee	6.2%	1.45%
Base	\$128,400	Unlimited
Maximum Employer Portion	\$7,960.80	Unlimited
Maximum Employee Portion	\$7,960.80	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, 2017 year-end PA W-2 information is due by Jan. 31, 2018, 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 2018.

NEW JERSEY UNEMPLOYMENT

The maximum taxable wages for New Jersey Unemployment and Disability will increase to \$33,700 per employee. The withholding rate will decrease to 0.7050% (.007050). The employee percentage for January 1, 2018 to December 31, 2018 is divided as follows:

<u>0.3825%</u>	Unemployment
<u>0.0425%</u>	Workforce Development
<u>0.1900%</u>	Disability
<u>0.0900%</u>	Family Leave Insurance
<u>0.7050%</u>	

PENNSYLVANIA UNEMPLOYMENT

The maximum taxable wages for Pennsylvania Unemployment increases from \$9,750 to \$10,000 per employee. The surcharge on employer contributions increased to 5.4% (.054). The employer additional contribution decreased to 0.50% (.005). The additional employer interest factor tax remains at 1.1% (.011). The percentage of employee wages required to be withheld as unemployment compensation tax decreases to 0.06% (.0006). This 0.06% tax does not have a wage limit. As of 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 increased to \$18,500 for 2018. Please note that this contribution is limited to the lesser of \$18,500 or the percentage of wages specified in your 401(k) Plan document. The maximum employee contributions for employees age 50 or older increased to \$24,500 for 2018. The contribution is limited to the lesser of \$24,500 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	\$8.60	January 1, 2018
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.

PA WITHHOLDING OF NONEMPLOYEE COMPENSATION AND BUSINESS INCOME

Anyone that pays Pennsylvania source nonemployee compensation or business income to a nonresident individual or pass through entity with a nonresident member and who is required to file a Federal Form 1099-MISC with the Department of Revenue is required to withhold an amount equal to the Pennsylvania personal income tax rate. Withholding is optional if the payee received less than \$5,000.

PA WITHHOLDING ON SOME LEASE PAYMENTS

Anyone leasing Pennsylvania real estate making lease payments in the course of their trade or business to a non-resident lessor must withhold an amount equal to the personal income tax rate. Withholding is optional for amounts under \$5,000 annually. Lease payments include: rents, royalties, bonus payments, damage rents and other payments made pursuant to a lease.

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT:

Fred Schutz, Director-Tax Department

P: 856-722-5300, ext. 201

E: fred.schutz@hfco.com

Jan Marcinkevich, Bookkeeping Manager

P: 856-722-5300, ext. 402

E: jan.marcinkevich@hfco.com

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Schedule 1

Federal Personal Income Tax Rates for 2018

	Taxable Income		Tax Bracket
	Over	But Not Over	
Single Individuals	\$0	\$9,525	10% of the taxable income
	\$9,525	\$38,700	\$952.50 plus 12% of the excess over \$9,525
	\$38,700	\$82,500	\$4,453.50, plus 22% of the excess over \$38,700
	\$82,500	\$157,500	\$14,089.50, plus 24% of the excess over \$82,500
	\$157,500	\$200,000	\$32,089.50, plus 32% of the excess over \$157,500
	\$200,000	\$500,000	\$45,689.50, plus 35% of the excess over \$200,000
	\$500,000	Over	\$150,689.50, plus 37% of the excess over \$500,000
Standard Deduction \$12,000			
Married Filing Jointly & Surviving Spouses	\$0	\$19,050	10% of the taxable income
	\$19,050	\$77,400	\$1,905, plus 12% of the excess over \$19,050
	\$77,400	\$165,000	\$8,907, plus 22% of the excess over \$77,400
	\$165,000	\$315,000	\$28,179, plus 24% of the excess over \$165,000
	\$315,000	\$400,000	\$65,179, plus 32% of the excess over \$315,000
	\$400,000	\$600,000	\$91,379, plus 35% of the excess over \$400,000
	\$600,000	Over	\$161,379 plus 37% of the excess over \$600,000
Standard Deduction \$24,000			
Married Filing Separately	\$0	\$9,525	10% of the taxable income
	\$9,525	\$38,700	\$952.50 plus 12% of the excess over \$9,525
	\$38,700	\$82,500	\$4,453.50, plus 22% of the excess over \$38,700
	\$82,500	\$157,500	\$14,089.50, plus 24% of the excess over \$82,500
	\$157,500	\$200,000	\$32,089.50, plus 32% of the excess over \$157,500
	\$200,000	\$300,000	\$45,689.50, plus 35% of the excess over \$200,000
	\$300,000	Over	\$80,689.50, plus 37% of the excess over \$300,000
Standard Deduction \$12,000			
Head of Household	\$0	\$13,600	10% of the taxable income
	\$13,600	\$51,800	\$1,360, plus 12% of the excess over \$13,600
	\$51,800	\$82,500	\$5,944, plus 22% of the excess over \$51,800
	\$82,500	\$157,500	\$12,698, plus 24% of the excess over \$82,500
	\$157,500	\$200,000	\$30,698, plus 32% of the excess over \$157,500
	\$200,000	\$500,000	\$44,298, plus 35% of the excess over \$200,000
	\$500,000	Over	\$149,298, plus 37% of the excess over \$500,000
Standard Deduction \$18,000			

*** The IRS announced that initial withholding guidance (Notice 1036) to reflect enactment of the Tax Cuts and Jobs Act would be issued in January 2018, which would allow taxpayers to begin seeing the change as early as February.**

Schedule 2

New Jersey Income Tax Rates for 2018

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