We have summarized the major changes, as of this date, which will affect your payroll tax calculations **effective January 1, 2019**. Check our website, <u>www.hfco.com</u>, for periodic updates.

FEDERAL INDIVIDUAL INCOME TAX

The federal individual income tax rates changed for 2019 to reflect the Tax Cuts and Jobs Act new law. The personal exemption for 2019 was repealed. (See schedule 1 for tax brackets, rates, and standard deductions)

NEW JERSEY INDIVIDUAL TAX

New Jersey individual income tax rates have been updated for 2019. The tax rates start at 1.4% with a graduating tax schedule rising to a maximum tax rate of 10.75%. (See schedule 2 for tax brackets and rates)

PENNSYLVANIA INDIVIDUAL TAX

The Pennsylvania individual income tax withholding rate remains at 3.07% for 2019.

PHILADELPHIA WAGE TAX

The withholding rate for Philadelphia City Wage Tax effective July 1, 2018 is 3.8809% (or .038809) for residents, and 3.4567% (or .034567) for non-residents.

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 2019 will increase to \$132,900.

Social Security Tax is broken into two sections, Social Security and Medicare. The following is each section's rate and base for 2019:

	Social Security	Medicare
Rate - Employer	6.2%	1.45%
Rate - Employee	6.2%	1.45%
Base	\$132,900	Unlimited
Maximum Employer Portion	\$8,239.80	Unlimited
Maximum Employee Portion	\$8,239.80	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, 2018 year-end PA W-2 information is due by Jan. 31, 2019, 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. Note that electronic filing is now a mandatory requirement if filing 10 or more W-2s.

Employers that file 250 or more federal 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 0.6% (.006) for 2019.

NEW JERSEY UNEMPLOYMENT

The maximum taxable wages for New Jersey Unemployment and Disability will increase to \$34,400 per employee. The withholding rate will decrease to 0.6750% (.006750). The employee percentage for January 1, 2019 to December 31, 2019 is divided as follows:

	Tax rate	Maxi	mum Tax
Unemployment	0.3825%	\$	131.58
Workforce Development	0.0425%	\$	14.62
Disability	0.1700%	\$	58.48
Family Leave Insurance	0.0800%	\$	27.52
Maximum Employee Portion	0.6750%	\$	232.20

The employer rate varies and is adjusted July 1st of each year. The base week amount increases to \$172 for 2019.

PENNSYLVANIA UNEMPLOYMENT

The maximum taxable wages for employer Pennsylvania Unemployment remain at \$10,000 per employee. The surcharge on employer contributions remains at 5.4% (.054). The employer additional contribution remains at 0.50% (.005). The additional employer interest factor tax remains at 1.1% (.011). The unemployment tax rate for employees remains at 0.06% (.0006). This 0.06% tax does not have a wage limit. Effective January 1, 2017, these contributions must be paid electronically if the total liability owed is \$5,000 or greater. The base week amount is \$116.

401(K) LIMITS

The maximum employee contributions increased to \$19,000 for 2019. Please note that this contribution is limited to the lesser of \$19,000 or the percentage of wages specified in your 401(k) Plan document. The maximum employee contributions for employees age 50 or older increased to \$25,000 for 2019. The contribution is limited to the lesser of \$25,000 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>	Effective Date
Federal	\$7.25	July 24, 2009
New Jersey	\$8.85	January 1, 2019
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:

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Schedule 1

Federal Personal Income Tax Rates for 2019

	Taxable Income		Toy Dynalist	
	Over	But Not Over	- Tax Bracket	
	\$0	\$9,700	10% of the taxable income	
	\$9,700	\$39,475	\$970.00 plus 12% of the excess over \$9,700	
	\$39,475	\$84,200	\$4,543.00 plus 22% of the excess over \$39,475	
Cinala	\$84,200	\$160,725	\$14,382.50 plus 24% of the excess over \$84,200	
Single Individuals	\$160,725	\$204,100	\$32,748.50 plus 32% of the excess over \$160,725	
maividuais	\$204,100	\$510,300	\$46,628.50 plus 35% of the excess over \$204,100	
	\$510,300	Over	\$153,798.50 plus 37% of the excess over \$510,300	
	Standard Deduction \$12,200			
	\$0	\$19,400	10% of the taxable income	
	\$19,400	\$78,950	\$1,940.00 plus 12% of the excess over \$19,400	
	\$78,950	\$168,400	\$9,086.00 plus 22% of the excess over \$78,950	
Married Filing Jointly	\$168,400	\$321,450	\$28,765.00 plus 24% of the excess over \$168,400	
& Surviving	\$321,450	\$408,200	\$65,497.00 plus 32% of the excess over \$321,450	
Spouses	\$408,200	\$612,350	\$93,257.00 plus 35% of the excess over \$408,200	
орошос	\$612,350	Over	\$164,709.50 plus 37% of the excess over \$612,350	
	Standard Deduc	tion \$24,400		
	\$0	\$9,700	10% of the taxable income	
	\$9,700	\$39,475	\$970.00 plus 12% of the excess over \$9,700	
	\$39,475	\$84,200	\$4,543.00 plus 22% of the excess over \$39,475	
Married	\$84,200	\$160,725	\$14,382.50 plus 24% of the excess over \$84,200	
Filing	\$160,725	\$204,100	\$32,748.50 plus 32% of the excess over \$160,725	
Separately	\$204,100	\$306,175	\$46,628.50 plus 35% of the excess over \$204,100	
	\$306,175	Over	\$82,354.75 plus 37% of the excess over \$306,175	
	Standard Deduc	tion \$12,200		
	\$0	\$13,850	10% of the taxable income	
	\$13,850	\$52,850	\$1,385.00 plus 12% of the excess over \$13,850	
	\$52,850	\$84,200	\$6,065.00 plus 22% of the excess over \$52,850	
Head of	\$84,200	\$160,700	\$12,962.00 plus 24% of the excess over \$84,200	
Head of Household	\$160,700	\$204,100	\$31,322.00 plus 32% of the excess over \$160,700	
Housellolu	\$204,100	\$510,300	\$45,210.00 plus 35% of the excess over \$204,100	
	\$510,300	Over	\$152,380.00 plus 37% of the excess over \$510,300	
	Standard Deduc	tion \$18,350		

^{*}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 2019

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	1.75% minus \$70.00
\$50,001 - \$70,000	2.45% minus \$420.00
\$70,001 - \$80,000	3.5% minus \$1,154.50
\$80,001 - \$150,000	5.525% minus \$2,775.00
\$150,001 - \$500,000	6.37% minus \$4,042.50
\$500,001 - \$5,000,000	8.97% minus \$17,042.50
Over \$5,000,000	11.8% minus \$106,042.50

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	1.75% minus \$70.00
\$35,001 - \$40,000	3.5% minus \$682.50
\$40,001 - \$75,000	5.525% minus \$1,492.50
\$75,001 - \$500,000	6.37% minus \$2,126.25
\$500,001 - \$5,000,000	8.97% minus \$15,126.25
Over \$5,000,000	11.8% minus \$104,126.25