

ALLEN & COOK, INC.

CERTIFIED PUBLIC ACCOUNTANTS

December 21, 2011

Dear Clients and Friends:

We would like to alert you to the following tax rate changes and information for 2012.

	<u>FEDERAL</u>	
	<u>2012</u>	<u>2011</u>
<u>Social Security and Medicare Tax (FICA)</u>		
<u>Social Security Component</u>		
Tax rate on employer	6.20%	6.20%
Tax rate on employee	6.20%	4.20%
On wages not to exceed	\$ 110,00.00	\$106,800.00
Maximum employer contribution . . .	\$ 6,826.20	\$ 6,621.60
Maximum employee contribution . . .	\$ 6,826.20	\$ 4,485.60
<u>Medicare Tax Component</u>		
Tax rate on employer	1.45%	1.45%
Tax rate on employee	1.45%	1.45%
On wages not to exceed	No wage limit	No wage limit
Maximum employer contribution . . .	No limit	No limit
Maximum employee contribution . . .	No limit	No limit

	<u>2012</u>	<u>2011</u>
<u>Self-Employment Tax</u>		
OASDI Taxable wage base	\$110,100.00	\$106,800.00
Tax rate	12.40%	10.40%
Maximum contribution	\$ 13,652.40	\$ 11,107.20
Medicare taxable wage base	No wage limit	No wage limit
Tax rate	2.90%	2.90%
Maximum contribution	No limit	No limit

Federal Unemployment Tax (Employer Only)

Gross Federal tax rate	6.0%	6.20%
Less: Credit for California SUI	<u>5.40%</u>	<u>5.40%</u>
Net Federal tax rate	0.80%	0.80%
	=====	=====
On wages not to exceed	\$ 7,000.00	\$ 7,000.00

CALIFORNIA

	<u>2012</u>	<u>2011</u>
<u>State Disability Insurance and Required Paid Family Leave</u>		
Tax rate on employee	1.0%	1.10%
Taxable wage base	\$ 95,585.00	\$ 93,316.00
Maximum employee contribution	\$ 955.85	\$ 1,119.79

State Unemployment Insurance
(Employer Only)

Tax rate on employer (including balance account)	1.50%to 6.20%	1.50% to 6.20%
On wages per employee not to exceed	\$ 7,000.00	\$ 7,000.00

_____ 2012 _____ 2011 _____

Employer Training Tax

Tax rate on employer (including balance account)	0.10% on \$7,000.00	N/A
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Employers are notified by the State of the unemployment rate applicable to them.

Out-of-state wages may also be counted toward the limitation the transferred employee formerly worked in a business acquired by the California employer.

Information To Be Supplied By Employer to Employee

At the time wages are paid, the employer must provide the employees with a statement showing gross wages and the amounts, if any, deducted for state disability insurance, FICA (social security) and Federal and California income taxes.

When making a reimbursement or payment of moving expenses to or for an employee, the employer must complete and furnish the employee with a Form 4782 for each move.

Under the Federal and State income tax laws, each employee must be furnished with a statement (W-2 Form) for wages remuneration paid to him/her during the calendar year. The W-2 Form must be furnished on or before January 31st following the close of the calendar year.

The W-2 must include: (1) the name of the employer; (2) the name of the employee and his/her social security number; (3) the total wages and remuneration subject to withholding; (4) the State and Federal income tax withheld; (5) the total FICA wages; (6) the total FICA withheld; (7) the total amount of unemployment compensation disability insurance paid by the employee; (8) the amount of allowances paid to the employee, such as auto allowances and (9) dependent care assistance paid.

Income Tax Withholding on Bonuses

Bonuses and other irregular payments are subject to income tax withholding at a flat rate at a minimum of 25% and 10.23% for Federal and California, respectively.

If you have any questions or require additional information, please contact our office.

Very truly yours,

Shelly Vassar

SV:pd