



Office of the Vice President for
Finance and Treasurer

MEMORANDUM

TO: All Faculty and Staff

FROM: Francis X. Colford
Vice President for Finance and Treasurer

SUBJECT: **Payroll Tax Information for 2012**

DATE: February 24, 2012 (updated)

I would like to advise you of some of the payroll tax changes that will take effect January 1, 2012.

SOCIAL SECURITY AND MEDICARE TAX

The Middle Class Tax Relief and Job Creation Act extends the 4.2% employee Social Security tax rate for wages paid through December 31, 2012. The combined employer Social Security/Medicare tax rate for 2012 remains at 7.65% consisting of 6.2% for Social Security and 1.45% for Medicare. For 2012, the Social Security wage base increases from \$106,800 to \$110,100. As in prior years, there is no limit to the wages subject to the Medicare tax; therefore, all covered wages are subject to the 1.45% tax.

The Social Security and Medicare tax information is shown below in the comparative chart.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
Employee Social Security Tax Rate (1)	4.2%	4.2%	-0-
Employer/ee Social Security Wage Base	\$110,100.00	\$106,800.00	\$ 3,300.00
Employer Social Security Tax Rate	6.2%	6.2%	-0-
Employer/ee Medicare Wage Base	No Limit	No Limit	-0-
Employer/ee Medicare Tax Rate	1.45%	1.45%	-0-

NEW JERSEY UNEMPLOYMENT, DISABILITY AND FAMILY LEAVE INSURANCE TAXES

The tax base will increase from \$29,600 to \$30,300 with no change in the tax rate of .425% of the first \$30,300 of earnings for unemployment and a .300% decrease in the tax rate for disability to .200%. The maximum annual deduction for unemployment will be \$128.78 and the maximum annual deduction for disability will be \$60.60.

For NJ Family Leave Insurance the withholding rate will increase from 0.06% to 0.08% of annual earnings up to \$30,300 for 2012. The maximum annual deduction will be \$24.24.

Employees must pay the New Jersey Unemployment, Disability and Family Leave Insurance taxes as shown below in the comparative chart.

	<u>2012</u>	<u>2011</u>	<u>Change</u>
NJ Unemp., Dis. & Fam Lv Ins. Wage Base	\$30,300.00	\$29,600.00	\$ 700.00
NJ Unemployment Tax Rate	.425%	.425%	-0-
NJ Disability Insurance Tax Rate	.200%	.500%	(.300%)
NJ Family Leave Insurance Tax Rate	.080%	.060%	.020%
Max. NJ Unemployment Tax	\$ 128.78	\$ 125.80	\$ 2.98
Max. NJ Disability Insurance Tax	\$ 60.60	\$ 148.00	\$ (87.40)
Max. NJ Family Leave Insurance Tax	\$ 24.24	\$ 17.76	\$ 6.48

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EDUCATIONAL ASSISTANCE PROGRAM

Tuition assistance reimbursements for undergraduate and graduate level studies continue to be tax-free benefits on amounts up to \$5,250 per year for federal and state income tax purposes.

GROUP TERM LIFE INSURANCE

The IRS has determined that employer-provided life insurance greater than \$50,000 is a taxable fringe benefit to the employee.

The cost per \$1,000 of protection per month has not changed. Group Term Life Insurance benefits over \$50,000 are subject to Social Security taxes and are included in Federal and State taxable wages on your Form W-2. The age bracket utilized for the calculation is your age at December 31, 2012 and the rates are:

5 Year Age Bracket	Cost per \$1,000 of Protection for One Month
Under 25	\$.05
25 to 29	.06
30 to 34	.08
35 to 39	.09
40 to 44	.10
45 to 49	.15
50 to 54	.23
55 to 59	.43
60 to 64	.66
65 to 69	1.27
70 and above	2.06

FXC:sr

c: Denise V. Rodgers, MD
Lester Aron
Denise Mulkern
Francis X. Colford
Gerard Garcia
Stephen Roga
Deborah Jackson