



**COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER**

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Payroll Tax Updates

You may see your federal and state tax withholding change in 2011. The federal changes are due to the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010:

The Making Work Pay Credit expired on December 31, 2010. The 2010 withholding tax tables incorporated the Making Work Pay Credit (\$400 for single individuals with less than \$75,000 in adjusted gross income and \$800 for married couples with less than \$150,000 in adjusted gross income.) The income tax withholding tables for 2011 are not adjusted for the Making Work Pay credit, meaning this may increase the amount of federal income tax withheld from your wages. This change has not been implemented yet on the County payroll system HRMS. This change must be in effect by the first pay date after January 31, 2011.

The law reduced the social security tax rate paid by employees from 6.2% to 4.2% for wages paid in 2011. This means there is a 2% reduction in social security tax withholding rate for employees that are subject to social security withholding. The employer's share remains at 6.2% and the maximum wage base remains at \$106,800. The 2% rate reduction is only for one year, 2011. This change will be effective on pay checks dated January 12, 2011.

Example: social security tax calculation: In 2010, employee's taxable earnings were \$2,000 multiplied by 6.2% rate = \$124.00 social security taxes withheld. In 2011, taxable earnings \$2,000 multiplied by 4.2% = \$84.00. This equals a decrease of \$40.00 in social security taxes.

Advance Earned Income Credit (AEIC) has been eliminated. While the Earned Income Tax Credit is still in effect, employees will no longer be able to get a portion of the credit in advance. This eliminates Form W-5.

The 2011 Form W-4, *Employee's Withholding Allowance Certificate* is available on the ACO website www.auditorcontroller.org. Click on "Payroll" on the left side of the page, then "Tax Information—Payroll Related." At the top of the center column under "Forms" is a link titled "Form W-4 Employee's Withholding Allowance Certificate." For additional help, obtain IRS Publication 919, *How Do I Adjust My Tax Withholding?* or visit the IRS website at www.irs.gov and use the "Withholding Calculator." Reminder that employees are able to change their W-4 withholding status and allowances using Employee Self-Service.

Due to the expiration of some state tax changes in recent years, the California Personal Income Tax withholding will decrease by .275% for each withholding bracket.

Questions about your pay check can be directed to your Department Payroll Representative. You may also contact ACO Payroll at (951) 955-3810 or via e-mail at ACO_Payroll@co.riverside.ca.us. Please note that neither your Department Payroll Representative nor ACO Payroll staff can offer tax advice. Please contact your personal tax advisor for your particular situation.

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