



2016 PAYROLL TAX AND PAYROLL RETURNS UPDATE

FEDERAL:

Every employer should receive a revised Circular E for 2016 effective for all compensation paid to employees after December 31, 2015. The IRS mails the publication in December.

The tax rates for the two parts of Social Security Tax (FICA and Medicare) remain the same for 2016. Please note that beginning in 2013, the Medicare tax rate was increased by 0.9% of wages and self-employment income in excess of certain threshold amounts. However, for withholding purposes, the additional 0.9% must be withheld on all Medicare wages (Form W-2, Box 5) in excess of \$200,000 regardless of the individuals' filing status. The maximum wage base for Social Security did not change, as noted in the table below.

	RATE	MAXIMUM WAGE BASE	MAXIMUM TAX
Employee - FICA	6.20%	\$118,500.00	\$7,347.00
Employer - FICA	6.20%	\$118,500.00	\$7,347.00
Employee - Medicare	1.45%/2.35%	No Limit	No Limit
Employer - Medicare	1.45%	No Limit	No Limit
Self-Employed - FICA	12.40%	\$118,500.00	\$14,694.00
Self-Employed - Medicare	2.90%/3.8%	No Limit	No Limit

Federal unemployment tax for 2016 is 0.6% on base compensation of \$7,000. Maximum tax is \$42 per employee. The deposit threshold for FUTA is \$500.

The Internal Revenue Service requires that only original Form 941's should be filed with the IRS. The form is read by an optic scan. Photocopies may delay processing.

Employers who operate a large food or beverage establishment must file Federal Form 8027, Employer's Annual Information Return of Tip Income and Allocated Tips, by February 29, 2016. If required to file electronically, the due date is March 31, 2016.

OREGON:

The withholding tables for Oregon income tax withholding have been updated. The Department of Revenue publishes the changes to withholding tables to be effective on January 1, 2016, available at http://www.oregon.gov/DOR/forms/FormsPubs/withholding-tax-tables_206-430_2016.pdf.

Tri-Met tax for 2016 is at 0.7337% of gross district payroll. Lane Transit tax is 0.71% of gross district payroll. Please refer to <http://www.oregon.gov/DOR/programs/businesses/Pages/payroll-updates.aspx>.

Oregon Employment Division base compensation is \$36,900 for the calendar year 2016. The rate range will be 1.2% to 5.4%. New employers should expect to be assigned a 2.6% rate. Tip income is subject to the tax. Individual employer rates may change predicated on the experience rating and number of claims made against the account.

The workers' compensation hourly assessment rate will remain at 3.3 cents per hour or fraction of an hour worked by each employee for 2016. The assessment is to be reported on the Oregon quarterly payroll report and paid along with Oregon income tax withholdings and unemployment taxes.

Oregon processes payroll forms by optic scan. Oregon Department of Revenue requires that only originals be filed - do not file photocopies.

The Oregon deposit due dates for withheld income tax is the date that Federal withholding and FICA is due.

401(K):

The 2016 limitation for contributions to 401(k) plans is \$18,000. Participants who are at least age 50 at the end of the plan year may be eligible to contribute up to an additional \$6,000.

MILEAGE REIMBURSEMENT RATE:

The standard mileage rate for 2016 is 54 cents per mile.

CAFETERIA PLANS (SECTION 125 PLANS):

The maximum contribution to cafeteria plans in 2016 is \$2,550 per employee for health FSA's and \$5,000 per employee for dependent care. Amounts counted toward rollover or grace period funds do not count towards the \$2,550 limit.

Per IRS Notice 2013-71, IRS modified the Use-Or-Lose-Rule to allow plans to choose between the rollover of up to \$500 of unused funds to the next plan year or allow participants up to 2 ½ months from the end of the plan year to incur expenses against unused funds from the prior plan year.