

pay a dollar for dollar match for every dollar of Medicare and FICA taxes that are withheld.

The Social Security tax rate was temporarily reduced for 2011 and 2012 (AKA payroll tax holiday). As of 2012, the amount of Social Security tax that must be withheld from an employee is 4.2% of the first \$110,100 of the employee's annual wages and salary; and that any amount above \$110,100 will not be subject to further Social Security tax withholdings.

An employer must also withhold 1.45% of each employee's annual wages and salary for settling the Medicare tax. Keep in mind, this percentage is to be applied on every employee's total salary. Since the employer has to remit to the federal government 2 times the amount of Medicare tax withheld, Medicare tax is in effect both an employee withholding and an employer expense. Additionally, an employer should withhold an amount for covering the expected amount of federal income taxes the employee will owe for the year. The actual amount to be withheld will depend upon the amount and frequency of gross wage payments as well as other factors such as the employee's filing status and the number of personal exemptions claimed before. To be precise, the amount to be withheld for federal income tax would be based on the employee's salary or wages as well as personal particulars provided on the federal form W-4, such as marital status and the number of dependents claimed as exemptions. Do remember, there is no employer contribution for federal income tax. The amounts to be withheld from employees for federal income taxes will be reported on the employer's balance sheet as a current liability.

Since 2013 the Social Security tax the normal rates have been made "back to normal":

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- Talking about the employer-portion, it is 6.2% of wage earnings up to a max wage base of \$113,700;
- For those who are self-employed, it is 12.4% of net self-employment income up to max \$113,700.

With the Patient Protection and Affordable Care Act, those who earn more than \$200,000 a year (or \$250,000 for joint filers) will need to pay higher Medicare hospital insurance HI taxes in 2013, which is 2.35% of the applicable wages above the thresholds. The employers will need to withhold the additional payroll tax regardless of the worker's tax filing status.

State and local jurisdictions may also levy some form of income tax and require that employers withhold an amount from each gross pay check. Again, the exact amount would be based on the employee's salary or wages as well as personal particulars provided. Also, the amounts to be withheld will be reported on the employer's balance sheet as a current liability.

The federal government and almost all state jurisdictions will require that the employer pay into a reserve fund for unemployment insurance. This amount is generally not withheld but rather is levied on the employer. Note that there is a distinction between those taxes that are withheld from employees' wages and those taxes that the employer needs to pay above the amount of gross wages. The employers' match of Social Security taxes and the unemployment taxes payable to the unemployment reserve account are being referred to as employment taxes. These taxes constitute an expense above and beyond gross payroll payments. In accrual accounting, the liabilities for both withholding and payroll taxes would be recorded at the time the payroll checks are issued.

When the court of law orders an employer to garnish an employee's salary or wages, the amount withheld will be reported on the employer's balance sheet as a current