



PAYROLL SERVICES

2013 TAX ISSUES THAT MAY AFFECT EMPLOYEES

Expiring tax cuts for the following items may affect your paychecks on payments made after December 31, 2012. Many of these tax cuts are being discussed by Congress. Be assured that Payroll Services is closely following these.

January 7, 2013 Update

- The IRS has announced the updated 2013 federal income tax withholding rates (http://www.irs.gov/pub/irs-pdf/n1036.pdf?utm_source=First+one+in+Jan+2013&utm_campaign=Google+Analytics&utm_medium=email, Tables 2 and 4 apply to Texas A&M University employees). These rates will be in effect for all pay beginning January 18, 2013. These will be posted on the Payroll Services website in the near future.
- Withholding on supplemental pay is 25% for pay under \$1 million. Withholding on supplemental pay over \$1 million in a calendar year is at the highest tax rate of 39.6%.

December 18, 2012 Updates

- The IRS has announced that federal income tax withholding should stay at the 2012 rates until there is legislative action on the soon-to-expire tax laws. All regular pay for Texas A&M University employees will have federal income tax withholding at the current rates.
- Social security withholding on pay after December 31, 2012, will increase to 6.2%.
- Withholding on supplemental pay will continue at the current rates, 25% for pay under \$1 million and 35% for pay over \$1 million.

Original Information

- The Middle Class Tax Relief Act of 2012 decreased the Old Age Survivors and Disability Insurance (OASI) portion of employee withholding by 2 % to 4.2%. This Act expires on December 31, 2012. Withholding for this on your paycheck will increase to 6.2%.
- Federal tax withholding rates for regular and supplemental pay for calendar year 2013 still need to be resolved by Congress. Supplemental pay withholding is scheduled to increase if there is no action by Congress; withholding on payments less than \$1 million in a calendar year increases from 25% to 28%; withholding on payments in excess of \$1 million in a calendar year increases from 35% to 39.6%.
- The OASI wage base increases withholding on salaries up to \$113,700 from \$110,100.
- The Affordable Care Act includes a 0.9% surtax on Medicare for employees making \$200,000. Employees in this category will see their Medicare increase to 2.35% from 1.45% for earnings over \$200,000. This surtax will be applied to earnings within the Texas A&M University System. More information on this is available at <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers->



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[for-the-Additional-Medicare-Tax](#) should you have questions or earnings other than those listed above.

- Calendar year amounts that can be tax deferred in a Tax Deferred Annuity (TDA) increase to \$17,500 with an over age 50 catch-up provision of \$5,500. When the employee is an Optional Retirement Plan (ORP) participant, the total tax deferral is limited to \$51,000 for the total ORP employee and employer contributions plus the TDA. <http://www.tamus.edu/assets/files/benefits/pdf/RPB.pdf>
- Optional Retirement Plan (ORP) contributions for the 2013 fiscal year allow contributions on salaries up to \$250,000. This limit applies to employees who first participated in ORP September 1, 1996 or later.
- Your 2012 W2 form will include the amount paid by both you and your employer for employer sponsored medical insurance coverage as information in Box 12 of the form coded as DD as required by the Affordable Care Act. This information is for reporting purposes only and is not taxable to the employee. The amount included for medical insurance will be for the time that you were an employee only. FAQ's are on the IRS website at: <http://www.irs.gov/uac/Employer-Provided-Health-Coverage-Informational-Reporting-Requirements-Questions-and-Answers>

Payroll Services continues to monitor the tax situation closely and will communicate any changes to the above to you as soon as possible.

Please contact Payroll Services at payroll@tamu.edu should you have any questions.