

HUMAN RESOURCES MEMORANDUM 11-032		DATE ISSUED: 12/30/2011
SUBJECT: TAX RELIEF ACT OF 2010		REFERENCE: None
TO: Director, Chief Deputy Director, Office Chiefs, Executive Office Managers, Client Agency Executives, Managers and Supervisors, Personnel Liaisons and Attendance Clerks		SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

This memo is to advise you that your December, 2011 payroll warrant includes a social security tax rate of 6.2% per the original expiration of the Tax Relief Act (TRA) of 2010.

What is the Tax Relief Act (TRA) of 2010?

The Tax Relief Act (TRA) of 2010 temporarily reduces the social security tax rate paid by employees from 6.2% to 4.2% for wages paid beginning January 1, 2011 through and inclusive to, December 31, 2011. The TRA has since been extended by the United States Congress to February 29, 2012.

How this affects your December, 2011 payroll warrant

The December, 2011 payroll warrant is issue dated January 1, 2012 and would not have been subject to the lower social security tax rate prior to the TRA extension. At the time that the State Controller's Office (SCO), Personnel/Payroll Services Division (PPSD) processed the December, 2011 payroll warrants the payroll tax tables had been revised per the Internal Revenue Service (IRS) Notice 1036 (rev December 2011). This notice prescribed 6.2% as the social security tax rate to be paid by employees beginning with payrolls that are issued dated January 1, 2012. The notice also changes the withholding of social security taxes to the first \$110,100. Thus, the annual maximum amount that can be withheld will be \$6,826.20.

Offset Adjustments

Since the December 2011 master payrolls, issue dated January 1, 2012 were processed prior to Congress taking action and were made using the higher tax rate of 6.2%, offsetting adjustments are needed. The Internal Revenue Service Notice IR-2011-124 requires employers to make any offsetting adjustments in the employees' pay for any Social Security tax that was over-withheld during January 2012 by no later than March 31, 2012. For the majority of employees, the State Controller's Office (SCO) will issue the adjustments within the January 2012 master payrolls (issue dated February 1, 2012). All other employees will receive their adjustment, if applicable, via a separate payment. The adjustment payments should all be issued by February 29, 2012.

Contact

For questions regarding this memorandum, please contact your assigned Personnel Specialist.

/s/

Beth Townsend, Personnel Officer
Office of Human Resources

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