



District Business & Advisory Services

Nimrat Johal: Director- DBAS: 408-453-6599

Cathy McKim, Manager-DBAS: 408-453-6588

Bulletin: 13-045

Date: December 28, 2012

To: District Fiscal Directors
Personnel and Payroll Directors
Charter School Administrators

From: Cathy McKim

Re: 2013 Tax Changes

The purpose of this bulletin is to communicate known Internal Revenue (IRS) and California State Tax changes for 2013. The official Federal Income Tax (FIT) withholding tables for calendar year 2013 have not been released; however, it has been recommended that employers use the 2012 withholding rates until Congress passes the income tax laws. I will make the changes as soon as they are published.

Please find the following rate and benefit limit changes **effective January 1, 2013**.

Payroll Changes

Social Security Taxes

Social Security tax earnings base increases to \$113,700 (up from \$110,100)

Social Security employee rate is set to increase back up to 6.2% (up from a temporary reduction to 4.2% for 2011 and 2012)

Health Savings Accounts

Minimum deductible for health plans is \$1,250 for single coverage and \$2,500 for family coverage (up from \$1,200 and \$2,400, respectively)

Maximum annual out-of-pocket limit for health plans is \$6,250 for single coverage and \$12,500 for family coverage (up from \$6,050 and \$12,100, respectively)

Maximum contribution to a health savings account is \$3,250 for single coverage and \$6,450 for family coverage (up from \$3,100 and \$6,250, respectively)

Flexible Spending Accounts

Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$2,500 per year (to be increased annually by an inflationary factor)

Section 403(b) Tax Sheltered Annuities

Maximum amount of employee elective deferrals is \$17,500 (up from \$17,000)

Employees age 50 or older and meeting other requirements can make up to \$5,500 in additional catch-up contributions (the same as for 2012)

Section 457 Deferred Compensation Plans

Maximum amount of contributions is \$17,500 (up from \$17,000)

Employees age 50 or older and meeting other requirements can make up to \$5,500 in additional catch-up contributions (the same as for 2012)

California State Disability Insurance

The State Disability (SDI) withholding rate for 2013 is 1.0 percent (no change from last year); however, the taxable wage limit is \$100,800 (up from \$95,585).

The maximum to withhold for each employee is \$1,008.80 (up from 955.85)

California Annual Withholding Schedules

Page 1 - Tables 1/2, 3/4

Tables 1/2 - Low Income Exemption Table / Estimated Deduction Table (Annual)

| | |
|--------------------------------------|-----------|
| Single: | 12,769.00 |
| Married with '0' or '1' allowance: | 12,769.00 |
| Married with '2' or more allowances: | 25,537.00 |
| Unmarried head of household: | 25,537.00 |
| Amount for '1' additional allowance: | 1,000.00 |

Tables 3/4 - Standard Deduction Table / Personal Exemption Credit (Annual)

| | |
|--------------------------------------|----------|
| Single: | 3,841.00 |
| Married with '0' or '1' allowance: | 3,841.00 |
| Married with '2' or more allowances: | 7,682.00 |
| Unmarried head of household: | 7,682.00 |
| Amount of credit for '1' allowance: | 114.40 |

Page 2 - Method B SINGLE

Method B---Exact Calculation Method (Annual Payroll Period)

SINGLE persons, dual income married, or married with multiple employers

| If taxable income is... | | The computed tax is... | | |
|-------------------------|--------------|------------------------|-----------|-----------|
| Over | But not over | Of amount over.. | Plus | |
| 0 | 7,455 | 1.10% | 7,455 + | 0.00 |
| 7,455 | 17,676 | 2.20% | 17,676 + | 82.01 |
| 17,676 | 27,897 | 4.40% | 27,897 + | 306.87 |
| 27,897 | 38,726 | 6.60% | 38,726 + | 756.59 |
| 38,726 | 48,942 | 8.80% | 48,942 + | 1,471.30 |
| 48,942 | 250,000 | 10.23% | 250,000 + | 2,370.31 |
| 250,000 | 300,000 | 11.33% | 300,000 + | 22,938.54 |
| 300,000 | 500,000 | 12.43% | 500,000 + | 28,603.54 |
| 500,000 | 999,999 | 13.53% | 999,999 + | 53,463.54 |
| 0 | 0 | .00% | 0 + | 0.00 |

Page 3 - Method B MARRIED

MARRIED persons

| If taxable income is... | | The computed tax is... | | |
|-------------------------|--------------|------------------------|-----------|-----------|
| Over | But not over | Of amount over.. | Plus | |
| 0 | 14,910 | 1.10% | 14,910 + | 0.00 |
| 14,910 | 35,352 | 2.20% | 35,352 + | 164.01 |
| 35,352 | 55,794 | 4.40% | 55,794 + | 613.73 |
| 55,794 | 77,452 | 6.60% | 77,452 + | 1,513.18 |
| 77,452 | 97,884 | 8.80% | 97,884 + | 2,942.61 |
| 97,884 | 500,000 | 10.23% | 500,000 + | 4,740.63 |
| 500,000 | 600,000 | 11.33% | 600,000 + | 45,877.10 |
| 600,000 | 999,999 | 12.43% | 999,999 + | 57,207.10 |
| 0 | 0 | .00% | 0 + | 0.00 |
| 0 | 0 | .00% | 0 + | 0.00 |

Page 4 - Method B Head of Household

Head of Household

| If taxable income is... | | The computed tax is... | | |
|-------------------------|--------------|------------------------|-----------|-----------|
| Over | But not over | Of amount over.. | Plus | |
| 0 | 14,920 | 1.10% | 14,920 + | 0.00 |
| 14,920 | 35,351 | 2.20% | 35,351 + | 164.12 |
| 35,351 | 45,571 | 4.40% | 45,571 + | 613.60 |
| 45,571 | 56,400 | 6.60% | 56,400 + | 1,063.28 |
| 56,400 | 66,618 | 8.80% | 66,618 + | 1,777.99 |
| 66,618 | 340,000 | 10.23% | 340,000 + | 2,677.17 |
| 340,000 | 408,000 | 11.33% | 408,000 + | 30,644.15 |
| 408,000 | 680,000 | 12.43% | 680,000 + | 38,348.55 |
| 680,000 | 999,999 | 13.53% | 999,999 + | 72,158.15 |
| 0 | 0 | .00% | 0 + | 0.00 |

Employer’s Obligation for the Form W-4 and DE 4

Each employee must complete a Form W-4 for federal and California withholding and employers must retain the form for payroll records. If you question either of these forms because it meets either of the following two conditions, then you must submit a copy of the form to the Franchise Tax Board (FTB) by fax to 916-843-1094.

- The employee claims more than 10 withholdings.
- The employee claims exemption from state or federal income tax withholding and the employee’s usual weekly wages will exceed \$200.00. (**Important: To maintain an Exempt status, employees must file a new W-4 form each year on or before February 15th**)

Continue to treat the forms as valid until notified in writing by the FTB of the proper marital status and number of allowances to use for California withholding purposes for the employee. Once notified by the FTB, you are required to follow their recommendation for exemptions. If an employee disagrees with an FTB determination, the employee may request a review of the determination by writing to W-4 Unit Franchise Tax Board MS F 180 P.O Box 2952 Sacramento, CA 95812.

The burden of proof rests with the employee to show that the determination is incorrect for California withholding purposes. Continue to withhold California PIT based on the FTB determination until notified in writing by the FTB of any changes.

California Sales Tax

The California state sales tax will increase by 0.25% for four years, beginning January 1, 2013, bringing the standard statewide rate to 7.5%. Santa Clara County is currently 8.375% and will increase to 8.625%; however, it is important that you verify your cities sales tax rate as it may be different.

The county and city taxes, referred to as “district taxes”, range from 0.125% to 1%. In some areas there is more than one district tax in effect. It is always best to double check the BOE website for the latest rates. <http://www.boe.ca.gov/sutax/pam71.htm>). I have posted the information below for your convenience.

| Rate | Location |
|---------|----------------|
| 8.625 % | Almaden Valley |
| 8.625 % | Alviso |
| 8.625 % | Blossom Hill |
| 8.625 % | Blossom Valley |
| 8.625 % | Cambrian Park |
| 8.625 % | Coyote |
| 8.625 % | Cupertino |
| 8.625 % | Gilroy |
| 8.625 % | Holy City |
| 8.625 % | Lorre Estates |
| 8.625 % | Los Altos |

| Rate | Location |
|---------|-----------------|
| 8.625 % | Los Altos Hills |
| 8.625 % | Los Gatos |
| 8.625 % | Milpitas |
| 8.625 % | Moffett Field |
| 8.625 % | Monta Vista |
| 8.625 % | Monte Sereno |
| 8.625 % | Morgan Hill |
| 8.625 % | Mount Hamilton |
| 8.625 % | Mountain View |
| 8.625 % | New Almaden |

| Rate | Location |
|---------|-----------------|
| 8.625 % | Palo Alto |
| 8.625 % | Permanente |
| 8.625 % | Redwood Estates |
| 8.625 % | San Jose |
| 8.625 % | San Martin |
| 8.625 % | San Tomas |
| 8.625 % | Santa Clara |
| 8.625 % | Saratoga |
| 8.625 % | Stanford |
| 8.625 % | Sunnyvale |
| 8.625 % | Valley Fair |
| 8.875 % | Campbell |

Travel Expenses

Mileage reimbursement rate is 56.5¢ per mile (up from 55.5¢ per mile). Per diem, or “high-low” standard, rates stay the same: the standard is \$123 per diem, of which \$77 is for lodging, and \$46 is for meals and incidentals (see [here](#) for high-cost areas and other details)

Please distribute this memo within your District as deemed appropriate.