



**District Business & Advisory Services**

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**Bulletin: 14-019**

Date: January 10, 2014

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

From: Ann Redd

Re: 2014 Tax Changes REVISED

The purpose of this bulletin is to communicate known Internal Revenue Service (IRS) and California State Tax changes effective January 1, 2014. The official Federal Income Tax (FIT) withholding tables for calendar year 2014 have been released and the QSS tax tables were updated. The 2014 Withholding Schedules can be obtained from <http://edd.ca.gov>.

Please find the following rate and benefit limit changes **effective January 1, 2014**.

**Payroll Changes**

• **Social Security Taxes**

<b><u>Tax Rate:</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

Note: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.2% on earnings up to the applicable taxable maximum amount - \$ 117,000. The Medicare portion (HI) is 1.45% on all earnings.

An additional employee –only Medicare tax of 0.9% applies to wages in excess of \$ 200,000 for single tax payers and \$ 250,000 for married taxpayers filing jointly (same as 2013). The rate shown above do not include the 0.9 percent.

**Maximum Taxable Earnings:**

Social Security (OASDI only)	\$113,700	\$117,000
Medicare (HI only)	no limit	

Social Security tax earnings base increases to \$117,000 (up from \$113,700)

**Health Savings Accounts**

- Minimum deductible for health plans remain at \$1,250 for single coverage and \$2,500 for family coverage (the same as for 2013)
- Maximum annual out-of-pocket limit for health plans is \$6,350 for single coverage and \$12,700 for family coverage (up from \$6,050 and \$12,100, respectively)
- Maximum contribution to a health savings account is \$3,350 for single coverage and \$6,550 for family coverage (up from \$3,250 and \$6,450, respectively)

**Flexible Spending Accounts**

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$2,500 per year (the same as for 2013)

**Section 403(b) Tax Sheltered Annuities**

- Maximum amount of employee elective deferrals is \$17,500 (the same as for 2013)
- Employees age 50 or older and meeting other requirements can make up to \$5,500 in additional catch-up contributions (the same as for 2013)

**Section 457 Deferred Compensation Plans**

- Maximum amount of contributions is \$17,500 (the same as for 2013)
- Employees age 50 or older and meeting other requirements can make up to \$5,500 in additional catch-up contributions (the same as for 2013)

**Travel Expenses**

- Mileage reimbursement rate is 56.0 cents/mile (down from 56.5 cents /mile in 2013)

**California State Disability Insurance**

- The State Disability (SDI) withholding rate for 2014 is 1.0 percent (no change from last year); however, the taxable wage limit is \$101,636 (up from \$ 100,800 in 2013)
- The maximum to withhold for each employee is \$1,016.36 (up from \$ 1,008.00)
- Per diem, or “high-low” standard, rates are as follows: the standard is \$129 per diem (up from \$123 per diem), of which \$83 is for lodging (up from \$77) and \$46 is for meals and incidental expenses (see here <http://gsa.gov/portal/category/100120> for high-cost areas and other details)

**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 15<sup>th</sup>**)

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.

*Please distribute this memo within your District as deemed appropriate.*