



District Business & Advisory Services

Kolvira Chheng, Director- DBAS: 408-453-6599

Bulletin: 15-022

Date: December 30, 2014

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

From: Ann Redd, Advisor-DBAS

Re: 2015 Tax Changes

The purpose of this bulletin is to communicate known Internal Revenue Service (IRS) and California State Tax changes effective January 1, 2015. The official Federal Income Tax (FIT) withholding tables for calendar year 2015 have been released and the QSS tax tables were updated. The 2015 California Withholding Schedules can be obtained from http://www.edd.ca.gov/Payroll_Taxes/

Please find the following rate and benefit limit changes **effective January 1, 2015.**

Payroll Changes

- **Social Security Taxes**

<u>Tax Rate:</u>	<u>2014</u>	<u>2015</u>
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 - \$ 118,500. 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 2014). The rates shown above do not include the 0.9 percent.

<u>Maximum Taxable Earnings:</u>	<u>2014</u>	<u>2015</u>
Social Security (OASDI only)	\$117,000	\$118,500
Medicare (HI only)		no limit

Social Security tax earnings base increases to \$118,500 (up from \$117,000)

Health Savings Accounts

- Minimum deductible for health plans change to \$1,300 for single coverage and \$2,600 for family coverage (up from \$ 1,250 and \$ 2,500, respectively)
- Maximum annual out-of-pocket limit for health plans is \$6,450 for single coverage and \$12,900 for family coverage (up from \$6,350 and \$12,700, respectively)
- Maximum contribution to a health savings account is \$3,350 for single coverage and \$6,650 for family coverage (HSA holders 55 and older get to save an extra \$1,000 which means \$ 4,350 for an individual and \$ 7,650 for a family)

Flexible Spending Accounts

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$2,550 per year (up from \$ 2,500 in 2014)

Section 403(b) Tax Sheltered Annuities

- Maximum amount of employee elective deferrals is \$18,000 (up from \$ 17,500 in 2014)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (up from \$ 5,500 in 2014)

Section 457 Deferred Compensation Plans

- Maximum amount of contributions is \$18,000 (up from \$ 17,500 in 2014)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (up from \$ 5,500 in 2014)

Travel Expenses

- Mileage reimbursement rate is 57.5 cents/mile (up from 56 cents /mile in 2014)

California State Disability Insurance

- The State Disability (SDI) withholding rate for 2015 is .9 percent (down by .1 Percent from last year); however, the taxable wage limit is \$104,378 (up from \$ 101,636 in 2014)
- The maximum to withhold for each employee is \$ 939.40 (down from \$ 1,016.36)

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.

Please distribute this memo within your District as deemed appropriate.