



## District Business & Advisory Services

Judy Kershaw, Director- DBAS: 408-453-6599

Bulletin: 16-015

Date: December 28, 2015

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

From: Judy Kershaw, Director, DBAS  
Mark Skvarna, Interim Chief Business Officer

Re: 2016 Tax Changes

The purpose of this bulletin is to communicate known Internal Revenue Service (IRS) and California State Tax changes effective January 1, 2016. The official Federal Income Tax (FIT) withholding tables for calendar year 2016 have been released and the QSS tax tables are being updated. The 2016 California Withholding Schedules can be obtained from [http://www.edd.ca.gov/Payroll\\_Taxes/](http://www.edd.ca.gov/Payroll_Taxes/)

Please find the following rate and benefit limit changes **effective January 1, 2016.**

### **Payroll Changes**

#### **Social Security Taxes**

<b><u>Tax Rate:</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Employee	7.65%	7.65%
Employer	7.65%	7.65%

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.

<b><u>Maximum Taxable Earnings:</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
Social Security (OASDI only)	\$118,500	\$118,500
Medicare (HI only)		no limit

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 2015). The rates shown above do not include the 0.9 percent.

**Health Savings Accounts**

- Minimum deductible for health plans change to \$1,300 for single coverage and \$2,600 for family coverage
- Maximum annual out-of-pocket limit for health plans is \$6,550 for single coverage and \$13,100 for family coverage (up from \$6,450 and \$12,900, respectively)
- Maximum contribution to a health savings account is \$3,350 for single coverage and \$6,750 for family coverage (HSA holders 55 and older get to save an extra \$1,000 which means \$4,350 for an individual and \$7,750 for a family)

**Flexible Spending Accounts**

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$2,550 per year (the same as 2015)

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

- Maximum amount of employee elective deferrals is \$18,000 (the same as 2015)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (the same as 2015)

**Section 457 Deferred Compensation Plans**

- Maximum amount of contributions is \$18,000 (the same as 2015)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (the same as 2015)

**Travel Expenses**

- Mileage reimbursement rate is 54 cents/mile for business miles driven (down from 57.5 cents /mile in 2015)

**California State Disability Insurance**

- The State Disability (SDI) withholding rate for 2016 is .9 percent (the same as 2015); however, the taxable wage limit is \$106,742 (up from \$ 104,378 in 2015)
- The maximum to withhold for each employee is \$ 1,129.00 (up from \$ 939.40 in 2015)

**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.*