



District Business & Advisory Services

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

Bulletin: 17-015

Date: January 5, 2017

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

From: Judy Lee Kershaw, Director, DBAS
Ann Jones, Interim Chief Business Officer

Re: 2017 Tax Changes

The purpose of this bulletin is to communicate known Internal Revenue Service (IRS) and California State Tax changes effective January 1, 2017. The official Federal Income Tax (FIT) withholding tables for calendar year 2017 have been released and the QSS tax tables are being updated. The 2017 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, 2017.**

Payroll Changes

Social Security Taxes

<u>Tax Rate:</u>	<u>2016</u>	<u>2017</u>
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.

<u>Maximum Taxable Earnings:</u>	<u>2016</u>	<u>2017</u>
Social Security (OASDI only)	\$118,500	\$127,200
Medicare (HI only)	no limit	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 2016). The rates shown above do not include the 0.9 percent.

Health Savings Accounts

- Minimum deductible for high deductible health plans HDHP is \$1,300 for single coverage and \$2,600 for family coverage
- Maximum annual out-of-pocket limit for HDHP's is \$6,550 for single coverage and \$13,100 for family coverage (the same as 2016)
- Maximum contribution to a health savings account is \$3,400 for single coverage (up \$ 50 from 2016) and \$6,750 for family coverage (HSA holders 55 and older get to save an extra \$1,000 which means \$4,400 for an individual and \$7,750 for a family)

Flexible Spending Accounts

- Maximum pre-tax contribution to health care reimbursement flexible spending accounts is \$2,600 per plan year (\$ 50 increase from 2016)

Section 403(b) Tax Sheltered Annuities

- Maximum amount of employee elective deferrals is \$18,000 (the same as 2016)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (the same as 2016)

Section 457 Deferred Compensation Plans

- Maximum amount of contributions is \$18,000 (the same as 2016)
- Employees age 50 or older and meeting other requirements can make up to \$6,000 in additional catch-up contributions (the same as 2016)

Travel Expenses

- Mileage reimbursement rate is 53.5 cents/mile for business miles driven (down from 54 cents /mile in 2016)

California State Disability Insurance

- The State Disability (SDI) withholding rate for 2017 is .9 percent (the same as 2016); however, the taxable wage limit is \$110,902 for each employee per calendar year (up from \$ 106,742 in 2016)
- The maximum to withhold for each employee is \$ 998.12

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.