



District Business & Advisory Services

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

Bulletin: 18-017

Date: December 15, 2017

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

From: Judy Lee Kershaw, Director, DBAS
Megan K. Reilly, Chief Business Officer

Re: 2018 Tax Rates and Other Updates

The purpose of this bulletin is to communicate known Internal Revenue Service (IRS) and California State Tax changes effective January 1, 2018. The official Federal Income Tax (FIT) withholding tables for calendar year 2018 have been released and the QSS tax tables are being updated. The 2018 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, 2018**.

2018 Changes Impacting Payroll

Social Security Taxes

Tax Rate	2017	2018	Change
Employee	7.65%	7.65%	0
Employer	7.65%	7.65%	0

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 of \$128,700. The Medicare portion (HI) is 1.45% on all earnings.

Maximum Taxable Earnings	2017	2018	Change
Social Security (OASDI only)	\$127,200	\$128,400	+ \$1,200
Medicare (HI only)	no limit	no limit	0

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 2017). The rates shown in the table above do not include the 0.9 percent.

Health Savings Accounts

Health Savings Accounts	2017	2018	Change
Minimum deductible for high deductible health plans HDHP	Single Coverage	Single Coverage	Single Coverage
	\$1,300	\$1,350	+ \$50
	Family	Family	Family
	\$2,600	\$2,700	+ \$100
Maximum annual out-of-pocket for HDHP	Single Coverage	Single Coverage	Single Coverage
	\$6,550	\$6,650	+ \$100
	Family	Family	Family
	\$13,100	\$13,300	+ \$200
Maximum contribution limit	Single Coverage	Single Coverage	Single Coverage
	\$3,400	\$3,450	+ \$50
	Family	Family	Family
	\$6,750	\$6,900	+ \$150
Health Savings Account holders 55 and over get to save extra \$ 1,000	Single Coverage	Single Coverage	Single Coverage
	\$4,400	\$4,450	+ \$50
	Family	Family	Family
	\$7,750	\$7,900	+ \$150

Flexible Spending Accounts

Flexible Spending Accounts	2017	2018	Change
Maximum pre-tax contribution to health care reimbursement flexible spending accounts	\$2,600	\$2,650	+ \$50

Section 403(b) Tax Sheltered Annuities

Section 403(b) Tax Sheltered Annuities	2017	2018	Change
Maximum amount of employee elective deferrals	\$18,000	\$18,500	+ \$500
Employees age 50 or older and meeting other requirements can make up in additional catch-up contributions	\$6,000	\$6,000	0

Section 457 Deferred Compensation Plans

Section 457 Deferred Compensation Plans	2017	2018	Change
Maximum amount of contributions	\$18,000	\$18,500	+ \$500
Employees age 50 or older and meeting other requirements can make up in additional catch-up contributions	\$6,000	\$6,000	0

Travel Expenses

Travel Expenses	2017	2018	Change
Mileage reimbursement rate for business miles driven	53.5 cents/mile	54.5 cents/mile	+ 1.0 cent/mile

California State Disability Insurance

California State Disability Insurance	2017	2018	Change
The State Disability (SDI) withholding rate	.9 percent	1.00 percent	+ .1 percent
Taxable wage limit for each employee per calendar year	\$110,902	\$114,967	+ \$4,065
The maximum annual withholding for each employee	\$998.12	\$1,149.67	+ \$151.55

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 either of the following two conditions are found in a form completed by an employee, then the employer 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)***

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

Please distribute this memo within your District as deemed appropriate.