



District Business and Advisory Services

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

Bulletin: 19-016

Date: January 8, 2019

To: District Chief Business Officers
 District Fiscal Directors
 District Personnel and Payroll Directors

From: Judy Lee Kershaw, Director, District Business Services

Re: 2019 Tax Rates and Other Updates

The purpose of this bulletin is to communicate known Federal and California State Tax changes effective January 1, 2019. The official Federal Income Tax (FIT) withholding tables for calendar year 2019 have been released and the QSS tax tables are being updated. The 2019 California Withholding Schedules are located at https://www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm

2019 Changes Impacting Payroll

Below are the rate and benefit limit changes effective January 1, 2019.

Social Security Taxes

Tax	2018	2019	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 (OASDI) portion is 6.20% on earnings up to the applicable taxable maximum amount of \$132,900. The Medicare (HI) portion is 1.45% on all earnings.

Maximum Taxable Earnings

Earnings	2018	2019	Change
Social Security (OASDI only)	\$128,700	\$132,900	+ \$4,200
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 2018). The rates shown in the table above do not include the 0.9 percent.

Health Saving Accounts

	2018	2019	Change
Minimum deductible for high deductible health plans HDHP	Single Coverage	Single Coverage	Single Coverage
	\$1,350	\$1,350	0
	Family	Family	Family
	\$2,700	\$2,700	0
Maximum annual out-of-pocket for HDHP	Single Coverage	Single Coverage	Single Coverage
	\$6,550	\$6,750	+ \$200
	Family	Family	Family
	\$13,100	\$13,500	+ \$400
Maximum contribution limit	Single Coverage	Single Coverage	Single Coverage
	\$3,400	\$3,500	+ \$100
	Family	Family	Family
	\$6,750	\$7,000	+ \$250
Health Savings Account holders 55 and over get to save extra \$1,000	Single Coverage	Single Coverage	Single Coverage
	\$4,400	\$4,500	+ \$100
	Family	Family	Family
	\$7,750	\$8,000	+ \$250

Flexible Spending Accounts

	2018	2019	Change
Maximum pre-tax contribution to health care reimbursement flexible spending accounts	\$2,650	\$2,700	+ \$50

Section 403(b) Tax Sheltered Annuities

	2018	2019	Change
Maximum amount of employee elective deferrals	\$18,500	\$19,000	+ \$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

	2018	2019	Change
Maximum amount of contributions	\$18,500	\$19,000	+ \$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

	2018	2019	Change
Mileage reimbursement rate for business miles driven	54.5 cents/mile	58 cents/mile	+ 3.50 cents/mile

California State Disability Insurance

	2018	2019	Change
The State Disability (SDI) withholding rate	1%	1%	
Taxable wage limit for each employee per calendar year	\$114,967	\$118,371	+ \$3404
The maximum annual withholding for each employee	\$1,149.67	\$1,183.71	+ \$34.04

Employer Obligations for Form W-4 or 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 the Internal Revenue Services (IRS) instructs an employer to withhold federal income tax based on a certain withholding status, the employer is required to use the same withholding status for state income tax withholding.

The Form W-4 and DE 4 are considered invalid if either of the following two (2) conditions exist:

- The employee makes major changes to Form W-4 or DE 4, such as crossing out words or writing more than is asked.
- The employee admits that Form W-4 or DE 4 is false.

When employers receive an invalid Form W-4 or DE 4, do not use it to calculate California personal income tax (PIT) withholding, instead ask for a valid form. If a new W-4 or DE 4 is not provided, withhold California PIT as if the employee was single and claiming no withholding allowances. However, if the employer has an earlier Form W-4 or DE 4 that is valid, withhold in accordance with the prior exemption certificate. The Franchise Tax Board (FTB) or the Employment Development Department (EDD) may, by special direction in writing, require an employer to submit a Form W-4 or DE 4 when such forms are necessary for the administration of the withholding tax program.

Important: To maintain an Exempt status, employees must file a new W-4 by February 15 each year.

Please distribute this memo within your District as deemed appropriate.