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FAS has completed the new W-2 program for 2010, and we've also completed new payroll programs and tax tables for 2011. As I'm sure you heard in the news, no one knew what our tax rates for the new year would be until just very recently. Although Publication 15 (Circular E) for 2011 has not yet been made available, the IRS did release a notice (1036) which contains the new withholding allowances and new tax tables for 2011. There has also been a change to the Social Security tax for 2011. Until January 1, 2011, employees and employers both will have paid a Social Security tax of 6.2% of wages and a Medicare tax of 1.45%. The total FICA tax was therefore 7.65% (6.2% + 1.45%) for the employee and the employer. However, beginning on January 1, 2011, for at least the next year, employees will pay Social Security tax of only 4.2%, while employers will still pay the tax at 6.2% of wages. Medicare tax will still be 1.45% for both the employee and the employer. So instead of the total FICA tax for an employee being 7.65% in 2011, the employee FICA tax will be only 5.65% (4.2% + 1.45%). FAS has modified its payroll programs to handle these changes. In order to simplify the employer's job when making tax deposits, FAS's new software lists employee totals, employer totals, and grand totals for Social Security, Medicare, and cumulative FICA taxes on the payroll report. FAS has also modified the paycheck program to handle these different amounts when making GL entries for payroll transactions.

Because of the late date at which the details of the new tax policy were finalized, many companies will not be able to implement these changes by January 1st. Although FAS has already made these updates available to its users, in the event you are unable to implement these updates by January 1st, the IRS is allowing a grace period during which these changes can be made. Employers have until January 31, 2011, to modify their systems to accommodate the new regulations. Of course, between January 1st and the date on which the changes are implemented, employees will have excess Social Security taxes withheld from their checks. Employers have until March 31, 2011, to make manual adjustments for any surplus taxes withheld through that time. As you might imagine, making the manual calculations and adjustments could be challenging. Loading these updates onto your FAS system as soon as possible will prevent you from having to face these challenges.

To request a document containing the year-end procedures for 2010 and/or to request the new payroll programs for 2011, please send an email to FAS or call FAS at 800.830.6160 and enter extension #305 to leave your request, along with your shop name, contact name, and phone number. Thanks.