As you may have heard from news reports this week, the United States Congress did not extend The Middle Class Tax Relief and Job Creation Act of 2012 (Tax Relief Act of 2012) which reduced the Social Security tax rate by two percentage points. Because this act was not renewed for 2013, Social Security withholding will return to the previous deduction of 6.2 percent. University employees will see that Social Security withholdings will increase from 4.2 percent to 6.2 percent and impact your net pay beginning with the January 15, 2013 paycheck.

Although Medicare withholding will continue at 1.45 percent, there is an additional change that will increase the deduction by .9 percent for a total of 2.35 percent for employees earning annual compensation at amounts defined in the new law. Additional notice of withholding changes will be provided to those employees. When reviewing your upcoming paycheck or your payroll statement of deposit, please note that the Social Security and the Medicare deductions are combined and listed under the FICA deduction heading.

Also, each year the Internal Revenue Service issues new income tax tables for employee withholdings. New income tax tables for 2013 have just been released and the University Payroll Department is currently loading the new rates into the Payroll System. The withholding changes are minor and will have a limited impact on employees’ tax withholding amounts. Employees can view the January 15, 2013 paycheck with these changes in the VIP system using the “Upcoming Paycheck” function beginning January 7th.

As you plan your personal budget for 2013, you may adjust your tax withholding via the VIP system. If you have questions regarding VIP tools or tax withholding, please contact University Payroll at 7-4227.