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Payroll Additional Medicare Tax for 2013

TAX

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The additional Medicare tax on high-income earners went into effect on January 1, 2013. This tax was enacted as part of the 2010 health care legislation.

An individual is liable for the additional Medicare tax on any wages, compensation, or self-employment income exceeding the following threshold amounts for the individual's filing status:

Married Filing Jointly	\$250,000
Married Filing Separately	\$125,000
Single	\$200,000
Head of Household	\$200,000
Qualifying Widow	\$200,000

Employers must, without exception, withhold an additional Medicare tax of .9% on any wages paid to an individual employee in excess of \$200,000. The term "wages" includes taxable fringe benefits. The additional Medicare tax withheld is reported on line 5d of the employer's quarterly Form 941. This is an employee-only tax. There is no requirement for the employer to match the tax. However, the employer is liable for the tax if he fails to withhold it, unless the employee pays the tax with his individual income tax return. Even then, the employer is still liable for all applicable penalties for failing to withhold.

There will not be a special reporting line for the additional Medicare tax withheld on the W-2 Form. The additional tax withheld will be reported in combination with the regular Medicare tax withheld in box 6 of the Form W-2.

The employee will be subject to the additional Medicare tax, subject to the above filing status limitations, on his or her individual income tax return. The employee may be under-withheld if he or she has a second job, or a working spouse, or self-employment income. If that is the case, the employee may need to make estimated income tax payments or request that his or her employer increase his/her federal withholding tax by completing a revised Form W-4.

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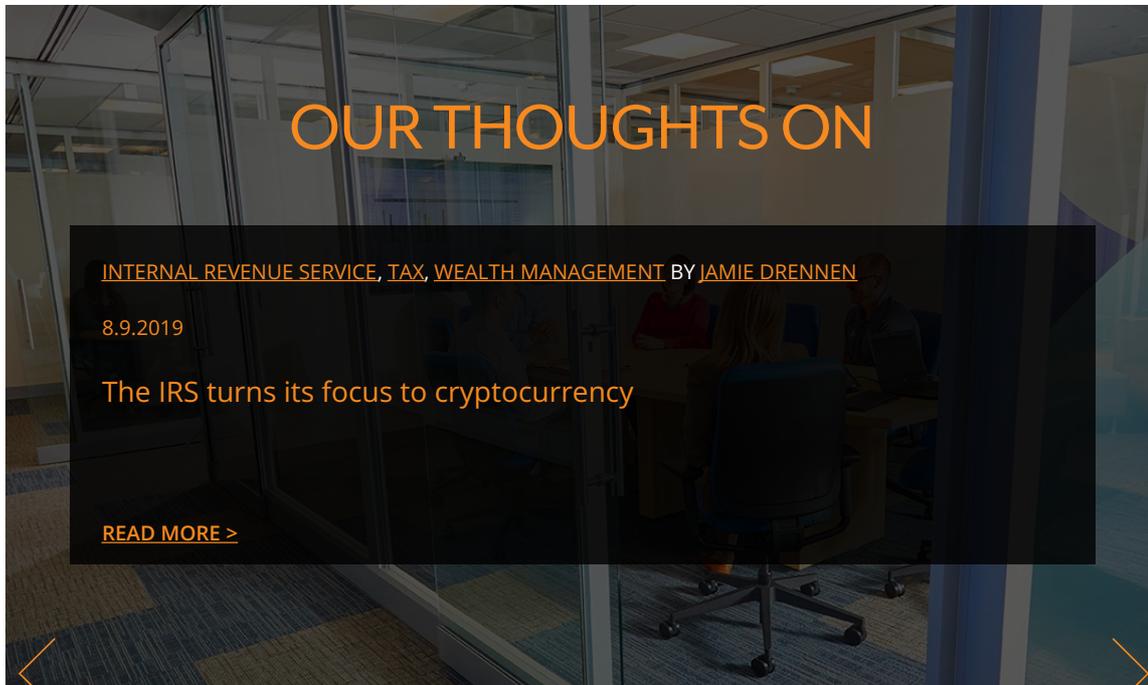


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