

MEDIA DATA SERVICES, INC.

“The Payroll Experts”

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2012

YEAR END INFORMATION

&

2013

PAYROLL TAX PREVIEW

**PLEASE READ THIS INFORMATION CAREFULLY AND SHARE IT WITH YOUR
ACCOUNTANT OR TAX PROFESSIONAL**

Media Data Services, Inc. does not render tax or accounting advice.

FUTA CREDIT REDUCTION ALERT

A state that has not repaid money it borrowed from the federal government to pay unemployment benefits is a "credit reduction state." The Department of Labor determines these states.

If an employer pays wages that are subject to the unemployment tax laws of a credit reduction state, that employer **MUST PAY** additional federal unemployment tax when filing its form 940.

Please be aware that New Jersey and New York (see full list below) are credit reduction states for 2012, **so please be prepared to pay additional monies in order for Media to complete your form 940 for 2012.** The additional monies will be calculated using the reduction of 0.6% and total FUTA wages for the entire year.

States with 2012 Federal Unemployment Tax Act (FUTA) Credit Reductions

Employers in the following states will be subject to a reduction in FUTA credit on their IRS Form 940 for 2012:

State	Credit Reduction
Arizona	0.3%
Arkansas	0.6%
California	0.6%
Connecticut	0.6%
Delaware	0.3%
Florida	0.6%
Georgia	0.6%
Indiana	0.9%
Kentucky	0.6%
Missouri	0.6%
Nevada	0.6%
New Jersey	0.6%
New York	0.6%
North Carolina	0.6%
Ohio	0.6%
Rhode Island	0.6%
Vermont	0.3%
Virgin Islands	1.5%
Wisconsin	0.6%

o These states had Title XII advance balances on January 1 of at least two consecutive years and on November 10, 2012, and did not qualify for credit reduction avoidance.

Source: Department of Labor

TAX and TAXABLE WAGE NEWS FOR 2013

Please note that **MEDIA DATA** is prepared to implement any payroll tax, wage and form changes as required, whether detailed below or not yet announced.

Social Security Announces 2013 Wage Base -- Will Increase

The maximum taxable earnings subject to the Social Security tax will increase to \$113,700.00 for 2013, up from \$110,100.00 in 2012.

The administration has not yet made any decisions with regard to the maximum Social Security Tax employees and employers will each pay in 2013. In 2012, employees enjoyed a reduction in their rate to 4.2% due to The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Without further changes in the law, these tax rates will return to 6.2% beginning in 2013. Employers have continued to pay 6.2% in 2012. Again, without further changes to the law, this will remain the rate in 2013.

In 2013, both the employee and employer will pay 1.45% for Medicare taxes. However, there will be an additional Medicare employee tax deduction of 0.9% added to the 1.45% for wages over \$200,000. In effect, an employee will pay 2.35% when he/she reaches \$200,000 in wages. However, the employer will continue to pay 1.45%.

IRS NEWS FOR 2013

FEDERAL INCOME TAX

The IRS has not yet announced changes to the 2013 tax tables or to 2013 personal exemptions and standard deductions. Media Data will alert you regarding federal tax issues for 2013 as they are legislated. Please check our website for updates.

PENSION PLAN LIMITS INCREASED

Limits on exclusions for elective deferrals under:	2013	2012	2011
401(k) and SEP plans	\$17,500	\$17,000	\$16,500
403(b) and 457 plans	\$17,500	\$17,000	\$16,500
Simple Plans	\$12,000	\$11,500	\$11,500
"Catch-up" Contributions:401(k),403(b),SEP,457	\$5,500	\$ 5,500	\$ 5,500
"Catch-up" Contributions: Simple plan	\$2,500	\$ 2.500	\$ 2.500

HEALTH CARE COVERAGE REPORTING REQUIREMENT FOR 2012

Health care reporting requirements are optional for small employers in 2012. A small employer is determined as those filing fewer than 250 Form W-2 for the previous year. Therefore, any employer that filed fewer than 250 W-2s for the year-ended 2011 will **NOT** be subject to the health care reporting requirement for 2012.

For employers that do not meet the relief requirements and are subject to the reporting requirement for 2012 W-2s, the IRS has given guidance on: 1) positioning of reporting in Box 12 with code DD on Form W-2; 2) how to calculate the cost of coverage; 3) how to treat salary reductions for health flexible spending arrangements (HSA); and 4) an exclusion for issuing a W-2 to anyone for whom the employer would not otherwise have issued a W-2 (such as retirees with continuing health benefits). Please see www.irs.gov for more information on health care reporting requirements.

Media is prepared to provide for these new reporting requirements on the W-2 beginning for year-end 2012 for those companies with mandatory compliance. For small employers, Media will leave the optional reporting requirement up to the employer. It will be your responsibility to tell Media if you plan to report health care costs on the W-2 and you will need to provide Media with the appropriate information by Friday, December 14, 2012. Please call your Media representative if you plan to report this data in 2012.

Other Items

Once again **INDIVIDUAL** and **BUSINESS** taxpayers will no longer receive paper income tax packages in the mail from the IRS. These tax packages contained the form schedules and instructions for filing a paper income tax return. Also, no payment coupons were allowed for payroll deposits. All TAX PAYMENTS must be made electronically via EFTPS.

NEW JERSEY PAYROLL NEWS

The State of New Jersey has **INCREASED** the taxable wage base for unemployment (UI), temporary disability (TDI) and family leave insurance (FLI) to \$30,900 in 2013 from \$30,300 in 2012. The State has also increased the employee's TDI rate to 0.36% from 0.2% and the FLI rate to 0.1% from 0.08%. There is no change to the employee's UI rate.

	2013	2012
The maximum employee contributions		
UI $\$30,900 \times 0.425\% =$	\$131.33	\$128.78
TDI $\$30,900 \times 0.360\% =$	\$111.24	\$ 60.60
FLI $\$30,900 \times 0.100\% =$	\$ 30.90	\$ 24.24
Employee Total	\$273.47	\$213.62
Maximum Workers' Compensation weekly benefit	\$826.00	\$810.00
Maximum Unemployment Insurance weekly benefit	\$624.00	\$611.00
Maximum Temp. Disability Insurance weekly benefit	\$584.00	\$572.00
Base week amount remains	\$145.00	\$145.00
Alternative earnings test amount remains	\$7,300.00	\$7,300.00

In the third quarter of 2012, Media implemented each employer's unemployment and disability rates as dictated by the State of New Jersey's Department of Labor and Workforce Development Employment Security Agency (DOL). You should have received a notice from the state describing the new calculation of the employer's final unemployment experience rate (with the allocation between Unemployment and Workforce Funds) and Disability insurance experience rate. The new rates were retroactively effective from July 1, 2012 through June 30, 2013.

Once again, Media reminds you that NJ will NOT accept checks or paper filing of business tax returns. All NJ tax payments and forms must be paid and filed electronically.

W-2 REVIEW

Accuracy Checklist

Due to privacy legislation, Media no longer prints the complete Social Security Number on payroll reports or employee paycheck stubs. However, media can provide you with an Employee List that displays both Social Security Number and Address to enable you to review and make changes BEFORE December 15th. Please request this list from your Account Representative.

MEDIA WILL NOT BE RESPONSIBLE FOR INCOMPLETE OR INACCURATE CLIENT INFORMATION ON FORM W-2 OR ON FORM 941.

Taxable Fringe Benefits Reporting

According to the IRS rules, the value of certain fringe benefits must be reported as taxable income on the 941 as well as on the employee's W-2. Please consult your CPA or tax advisor regarding the taxability of benefits for your company and report the information to your Account Representative.

Qualified Pension Reporting

As required, a qualified pension plan (e.g. 401k, 403b, SEP or SIMPLE) will automatically be marked on an employee's W-2, if there is a salary deferral for the plan from the wage of the employee. However, if the plan is funded entirely by the employer, then you must inform Media which employees are participants in the plan. Please submit this data no later than December 15th.

Disability reporting

If you have already reported disability income for any of your employees during this year, this information will automatically be generated on a W-2 for that employee. If you have not already reported those disability income reports to us, please do so IMMEDIATELY. All disability information processed through Media must be submitted by December 15th.

MEDIA DATA SPECIAL SERVICES.....

DIRECT DEPOSIT.... Media can transmit data for the automatic transfer of money into the individual employee's bank account to ensure the money is available on the pay date.

SPECIALIZED DEDUCTION REPORTS.....Media can customize any deduction reports that are part of your individual payroll. Some of these include UNION DUES, LOAN BALANCE REPORTS, etc.

PENSION PLAN REPORTS....Compliance reports for 401(k), 403(b), 457 and other pension reports are available, and will include the appropriate match if your plan includes that option. We can also transmit information to your plan provider.

TIMEKEEPING SERVICES....Media partners with a timekeeping services provider where the data from the time clocks can be imported directly into our system.

PAY AS YOU GO WORKERS' COMP.... Media partners with The Hartford for pay-as-you-go workers' comp insurance.

ON-LINE PAYROLL Media currently offers on-line payroll services.

ADDITIONAL PRODUCTS AND SERVICES.....EMPLOYEE ADDRESS LIST; TIME-CARD LABELS; PAYROLL CHECK SIGNING, BURSTING, STUFFING AND SEALING IN ENVELOPES; INDIVIDUAL EARNINGS QUARTERLY REPORTS (LEDGER CARDS); VACATION, SICK, HOLIDAY ACCUMULATORS; NEW HIRE REPORTING IS AUTOMATIC UNLESS THE CLIENT "OPTS OUT"

ELECTRONIC TAX PROCESSING.....If you are a tax-filing client, all reports and W-2s are electronically filed for you. However, if you are not a tax-filing client and have more than 250 W-2s, you must file electronically. If you want MEDIA to perform this service, you MUST NOTIFY US IN WRITING AND FAX TO 973-785-2453 (see below).

Please file my W-2 information electronically to SSA _____ State of NJ _____ BOTH _____
Company Name _____ Authorized Signature _____
Estimated Number of W-2s _____ Tel: _____