



Dear Client:

Prepare for year-end payroll today with Wegner Payroll Group's annual guide!

Now that 2011 is coming to an end, it is important for businesses to review the reporting requirements that apply to Wage Statement (W-2) and Form 1099 filings.

Penalties

Generally, the penalty for failure to file a Form 1099 or W-2 with the IRS may be up to \$100 per form, to a maximum of \$1,500,000 (\$500,000 for small businesses) per year. If filing requirements are disregarded intentionally, a higher penalty (up to \$250 per form with no maximum) could be assessed. In addition to these federal penalties, the State of Wisconsin will disallow the deduction taken for any amount for which a 1099 was required, but not filed.

The Internal Revenue Service may also assess a penalty for incorrect or incomplete employee information on 2011 W-2's. **Please verify all employee names, addresses, and social security numbers before filing 2011 W-2's.**

Enclosed is information on the filing requirements for W-2s, common fringe benefit reporting requirements, a checklist for Form 1099 requirements and informational updates specifically for employers. If you have any questions regarding this information, please contact our office.

Very truly yours,

WEGNER PAYROLL GROUP

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Section I: W-2s

Preparation

It is the employer's responsibility to prepare a W-2 for each employee to report the employee's wage, tax, and fringe benefit information for the calendar year. The W-2s for 2011 must be mailed or given to your employees on or before January 31, 2012.

If you would like our firm to prepare the W-2s for your employees, we will need complete payroll and fringe benefit information in early January. We can provide this service even though we may not have processed your payroll.

In preparing your W-2s, you must consider cash wages paid as well as the following:

Form

A copy of the current W-2 form is enclosed.

Reminders

Box 12 – Should disclose the following information and codes:

Code A	Uncollected social security tax on tips.
Code B	Uncollected Medicare tax on tips.
Code C	Cost of group life insurance in excess of \$50,000.
Code D	Elective deferrals under an IRC Section 401(k) plan (including simple 401(k) plans.)
Code E	Elective deferrals under an IRC Section 403(b) plan.
Code F	Elective deferrals under an IRC Section 408(k)(6) salary reduction SEP (SARSEP) plan.
Code G	Elective deferrals and employer contributions (including non-elective deferrals) under an IRC Section 457(b) plan.
Code H	Elective deferrals under an IRC Section 501(c)(18)(D) plan.
Code J	Nontaxable sick pay (Not included in boxes 1, 3 and 5).
Code K	20% excise tax on excess "Golden Parachute" payments.
Code L	Nontaxable part of employee business expense reimbursements if the employer reimburses employees under a per diem or mileage allowance that exceeds the government-approved rates (Not included in boxes 1, 3 and 5).
Code M	Uncollected social security tax on the cost of group life insurance coverage in excess of \$50,000 for former employees.
Code N	Uncollected Medicare tax on the cost of group term life insurance coverage in excess of \$50,000 for former employees.
Code P	Excludable reimbursed moving expenses (not included in boxes 1, 3 and 5).
Code Q	Nontaxable combat pay
Code R	Employer contributions to an Archer MSA account.
Code S	Employee salary reduction contributions to an IRC Section 408(p) SIMPLE.
Code T	Employer-provided Adoption Benefits
Code V	Income from exercise of non-statutory stock option(s) (included in boxes 1, 3 and 5)
Code W	Employer contributions to a Health Savings Account (HSA).
Code Y	Deferrals under a Section 409A nonqualified deferred compensation plan
Code Z	Income under Section 409A on a nonqualified deferred compensation plan (included in box 1)
Code AA	Designated Roth contributions to a section 401(K) Plan
Code BB	Designated Roth contributions under a section 403(b) salary reduction arrangement
Code DD	Cost of healthcare coverage under an employer-sponsored group plan
Code EE	Designated Roth contributions under a government section 457(b) plan. This amount does not apply to contributions under a tax-exempt organization section 457(b) plan.

Section I: W-2s

Box 13 – Be sure to check the following:

- Statutory employee – Check this box if the employee is a statutory employee whose wages are subject to social security and Medicare taxes, but not federal income tax withholding.
- Retirement plan – Check this box if your employees were eligible to participate for any part of the calendar year in a retirement plan (i.e. profit sharing, 401(k), 403(a), 403(b), 408(k), 408(p), or 501(c)(18)(D) plan) and received employer contributions or were allocated forfeitures even if they did not make elective deferrals into the plan.
- Third-party sick pay – Check this box only if you are a third-party sick pay payer filing a Form W-2 for an insured's employee or an employer reporting sick pay payments made by a third party.

Box 14 – May be used for any other information you wish to provide to your employees such as health insurance premiums deducted, moving expenses paid, or education assistance payments.

Make sure to label each of the items reported. You **must** report the lease value of a vehicle provided to your employee included in Box 1.

The SSA Forms W-2 and W-3 that you print from the IRS website cannot be processed by the Social Security Administration because they process paper forms by machine. Instead, you can use the SSA website at www.socialsecurity.gov/employer to create and file electronic “fill-in” versions of Forms W-2 and W-3.

If you prefer to order official IRS forms, call 1-800-TAX-FORMS (1-800-829-3676) or order online at www.irs.gov and select Forms and Publications By U.S. Mail.

If your employees give their consent, you may be able to furnish Copies B, C, and 2 of Forms W-2 to your employees electronically. See IRS Publication 15-A, Employers' Supplemental Tax Guide, for additional information.

Wisconsin electronic filing requirements.

An employer with more than 50 W-2s is required to file the Form W-2 electronically. Employers meeting the requirement can file Form W-2 electronically through the Wisconsin Department of Revenue's website.

The federal electronic filing requirement is 250.

Section I: W-2s

Reporting Chart

Type of Payment	Box 1	Boxes 3/5	Box 10	Box 12	Box 14*	Box 13	Box 16
Dependent care under \$5,000**			•				
Dependent care over \$5,000**	•	•	•				•
Health insurance – 2% S-Corp. shareholder discriminatory	•	•			•		•
Health insurance – 2% S-Corp. shareholder non-discriminatory	•				•		•
HSA contributions				• Code W			•
Cafeteria plan: pretax contribution					•		
Group-term life over \$50,000	•	•		• Code C			•
Third-party sick pay: first 6 mos.	•	•			•		•
Third-party sick pay: after 6 mos.	•				•		•
Third-party sick pay: nontaxable				• Code J			
Deferred compensation: pretax contribution		•		•		•	
Deferred compensation: employer contribution or forfeiture allocated to employee retirement account						•	
Personal use of car: 100% use in Box 1	•	•			•		•
Personal use of car	•	•			•		•
Wages paid after death – year of death (subject to FICA/Medicare taxes)	Form 1099	•			•		
Wages paid after death – year <i>after</i> death	Form 1099						

*Optional Box with the exception of personal use of auto. The value of the vehicle provided to your employee and reported in Boxes 1 and 16 must be reported here or in a separate statement to your employee.

**See page 9 for further detail.

Section II: 1099s

Overview

Information returns are required for certain payments made to any individual or reporting entity other than a corporation in the ordinary course of carrying on your trade or business. For example, payments to Wegner LLP (a partnership) would be subject to these rules if the payments exceeded \$600 (\$10 for royalties) and were made in the course of carrying on your trade or business. Payments to a corporate law firm in excess of \$600 also necessitate 1099 filing.

If a Form 1099 must be issued, the recipient is required to provide you with the appropriate Federal Employer Identification Number (FEIN) or Social Security Number. If the recipient fails to do so, the payments are subject to backup withholding at a 28% rate. Wegner LLP's TIN is #39-0974031.

It is your responsibility to prepare Form 1099 for each recipient. If you would like our firm to prepare your Form 1099s, we require the following information:

1. Your name, address, and taxpayer identification number,
2. The name, address, and taxpayer identification number for each recipient,
3. The total amount paid in the calendar year, and
4. A brief description of the amount paid.

New for 2012: Do not include any credit card payments to vendors. Credit card companies will be reporting these transactions on your behalf using Form 1099-K.

The Form 1099 must be received by the recipient on or before January 31, 2012 and by the IRS by February 28, 2012 (March 31, 2012 if filing electronically). Form 1096, Annual Summary and Transmittal of U.S. Information Returns, must accompany each type of Form 1099 sent to the IRS. A complete set of Form 1096 and Forms 1099 must also be sent to the state. The addresses are listed below.

Federal:

Internal Revenue Service Center
Kansas City, MO 64999

State:

Corporations:

Wisconsin Department of Revenue
P.O. Box 8905
Madison, WI 53708-8905

Payers Other Than Corporations:

Wisconsin Department of Revenue
PO Box 59
Madison, WI 53785-0001

Section II: 1099s

Checklist

If you answer “yes” to any of the checklist questions, you must file Form 1099 for each recipient. This checklist is not designed for financial institutions, insurance companies, stockbrokers, governmental units or cooperatives.

In the 2011 calendar year <u>in the course of your trade or business</u> have you:	Yes	No	Form – (If Yes)
(1) Received mortgage interest income of \$600 or more from an individual?			1098
(2) Lent money secured by an interest in property and the property has been abandoned this year?			1099-A
(3) Done business as a broker or barter exchange and sold stocks, bonds, commodities, regulated future contracts, foreign currency contracts, forward contracts, debt instruments, or exchanged property or services through the barter exchange?			1099-B
(4) Paid gross dividends or other distribution on stock totaling \$10 or more (except \$600 or more for liquidations) to any person?			1099-DIV
(5) Paid interest (including mortgage interest) totaling \$10 or more to any person other than a corporation? (\$600 in most instances)?			1099-INT
(6) Paid rent (such as office space rental, machine rental, pasture rental) of \$600 or more to any person other than a corporation?			1099-MISC
(7) Paid royalty payments of \$10 or more to any person other than a corporation?			1099-MISC
(8) Paid prizes and awards not for services rendered by non-employees of \$600 or more to any person other than a corporation?			1099-MISC
(9) Paid fees, commissions, prizes, awards, or other forms of compensation for services rendered by non-employees of \$600 or more to any person other than a corporation?			1099-MISC
(10) Made sales of \$5,000 or more of consumer products to a person other than a corporation on a buy-sell, deposit-commission, or other basis for resale?			1099-MISC OR OPTIONAL LETTER FORM
(11) Paid distributions of \$10 or more from retirement or profit sharing plans sponsored by your trade or business to any person?			1099-R
(12) Provided personal use (including commuting) of an employer owned vehicle to an employee, stockholder or director?			W-2

Section III: W-4

Form W-4

The beginning of the year is a good time to have employees review their withholding status and make any necessary changes for the current year.

Employees claiming “exempt” from withholding during the prior year on their Form W-4 must complete a new Form W-4 by February 16, 2012 to keep their “exempt” status. If the employees do not give their employer a new Form W-4 by February 16, 2012, the employer must begin withholding federal income tax as if they are single with zero withholding allowances.

You must have Form W-4 on file for each employee. It has been brought to our attention that the Department of Industry, Labor and Human Relations is picking businesses at random, and stopping in unannounced to spot check record keeping. One area of focus is the completion of Form W-4 and Form I-9. Fines are also applied to Form W-4 that have been altered or marked by the employer after an employee has signed it. A copy of the Form W-4 for 2012 is attached.

The current withholding on lump sum distributions such as bonuses is 25%. If an employee requests a special withholding amount for a particular payroll, a new Form W-4 needs to be filled out for the bonus and then another one to return them to their original status.

Section IV: Fringe Benefit Reporting

It is important to consider any taxable fringe benefits that you have provided to your employees so that the necessary payroll taxes may be correctly calculated and withheld from the employee's paycheck. Common fringe benefits that must be reported on the employee's W-2 include:

Third Party Sick Pay

By law, insurance companies have until January 15th to report to you any insurance benefits paid to your employees during 2011. Since this affects all quarterly and year-end returns, including W-2 forms, copies of the statements should be sent to us as soon as you receive them. Please let us know as soon as possible if you expect to be receiving these reports.

Dependent Care

Whether on-site daycare is provided (FMV of service), daycare expenses are paid directly to a daycare facility by the employer, or provided through a cafeteria plan, these benefits must be included in Box 10. If less than \$5,000 or \$2,500 if married, filing a married-separate return or the employee's earned income or the earned income of the employee's spouse, whichever is less, they are not subject to FICA/Medicare, Federal withholding, Wisconsin withholding, FUTA or SUTA taxes. Amounts in excess of \$5,000 per year are taxable and must be reported in Boxes 1, 3, 5, 10 and 16.

Group Term Life Insurance Overview and Calculation Table

If an employee is provided with group term life insurance coverage over \$50,000, the employee is taxed on the cost of the coverage over \$50,000 less the amount the employee paid. The employer is not required to withhold federal income tax on the taxable group-term life insurance, but the value is subject to federal taxation and must be reported on employee's Form W-2 as "other compensation" (Box 1 and Box 12 – code C). Taxable group-term life insurance is subject to social security and Medicare tax withholdings and must be reported on Form W-2 in Boxes 3 and 5. Although the value in excess of \$50,000 is not taxable for FUTA purposes, it is reportable as total wages on line 1 excludable wages on line 2 of Part I of Form 940. All states (with the exception of Pennsylvania) require the employer to report the value of Group Term Life as "other compensation" on the employee's Form W-2. Some states also require income tax withholding.

Section IV: Fringe Benefit Reporting

Uniform Premium Table
IRC Section 79
Fair Market Value of GTL Insurance
Per \$1,000 of Excess Benefit per Month

<u>Age Bracket</u>	<u>GTL Cost Factor</u>
Under 25	\$0.05
25 to 29	\$0.06
30 to 34	\$0.08
35 to 39	\$0.09
40 to 44	\$0.10
45 to 49	\$0.15
50 to 54	\$0.23
55 to 59	\$0.43
60 to 64	\$0.66
65 to 69	\$1.27
70 and older	\$2.06

Split Dollar Life Insurance Overview

Over the last 30 years, split-dollar life insurance has become a common executive benefit. Beginning in 2001, in a series of notices and regs, the IRS significantly changed its position with respect to how split-dollar life insurance should be taxed. The tax advantages of so-called “equity” arrangements have been significantly curtailed. The impact of the new rules, however, is less significant if you have a *non-equity* arrangement—i.e., all you get under the arrangement is term life insurance coverage, including paid-up additions.

The final regs, which are effective for split-dollar arrangements entered into or “materially modified” after September 17, 2003, provide two mutually exclusive regimes for taxing these arrangements: the economic benefit regime and the loan regime. Under the economic benefit regime, the premium-paying owner of the life insurance contract is treated as providing economic benefits to the non-owner with an interest in the contract. Under the loan regime, the premium-paying non-owner of the life insurance contract is treated as loaning premium payments to the owner.

Please contact your tax advisor to determine the taxability of split-dollar life insurance arrangements.

Section IV: Fringe Benefit Reporting

401(k) Plan

These contributions are subject to FICA/Medicare, FUTA and SUTA taxes, and must be shown in Box 12. The amount shown must be preceded by the letter code D. Also, Box 13 “Retirement plan” must be checked. The maximum employee elective deferral on 401(k) plans is \$16,500 in 2011 and \$17,000 in 2012 (an increase of \$500). In addition, catch-up contributions are allowed for individuals over 50 years of age (\$5,500 for 2011 and no limit change in 2012).

A 403(b) plan is treated in a similar way except that code E should be used, while a 408(k)(6) SARSEP plan requires code F.

SIMPLE Plan

These contributions are subject to FICA/Medicare, FUTA and SUTA taxes, and must be shown in Box 12. The amount shown must be preceded by the letter code S. Also, Box 13 “Retirement plan” must be checked. The maximum employee elective deferral is \$11,500 in 2011 and \$11,500 in 2012 (no change). In addition, catch-up contributions are allowed for individuals over 50 years of age (\$2,500 for 2011, and no limit change in 2012).

Health and Accident Insurance Premiums

When an S-corporation pays health and accident insurance premiums on behalf of 2% shareholder/ employee; the IRS rules specify two tax treatments.

Situation 1:

If the premiums are paid under a plan that does not discriminate, the following will occur:

- A. The premiums are treated as exempt for FICA, FUTA and SUTA,
- B. The premiums are included in the shareholder/employee’s federal gross income, and
- C. The premiums are reported on Form W-2 in Boxes 1 and 16 (Wages, Tips, Other Comp.)

Situation 2:

If the premiums are not paid under such a plan, the following will occur:

- A. The premiums are treated like normal compensation, and as such are subject to FICA, FUTA and SUTA.
- B. The premiums are included in the shareholder/employees’ gross income, and
- C. The premiums are reported on Form W-2 in the following boxes:
 - 1. Box 1, Wages, Tips, Other Comp
 - 2. Box 3, Social Security Wages
 - 3. Box 5, Medicare Wages and Tips
 - 4. Box 16, State Wages and Tips

If you paid these premiums for any shareholder/employees, please report the premiums made to your Payroll Specialist before your last payroll for the year.

Section IV: Fringe Benefit Reporting

Mileage Reimbursement

If you reimburse your employee at a mileage rate or per diem allowance that exceeds the IRS specified rates, the excess is fully taxable and must be shown in Boxes 1, 3, 5 and 16. In this case, you must also show the government specified rate in Box 12 using the code L.

Federal Standard Mileage Rates

Type of Use	2011 (1/1-6/30)	2011 (7/1-12/31)	2012
Business	\$0.51	\$0.555	\$0.555
Charitable Activities	\$0.14	\$0.140	\$0.140
Relocation Related	\$0.19	\$0.235	\$0.230
Medical Related	\$0.19	\$0.235	\$0.230

Employee Use of Employer Auto Overview and Worksheets

The personal use of an employer-provided auto is subject to FICA, FIT, SIT, FUTA and SUTA taxes, and must be included on the employee's W-2 in Boxes 1, 3, 5, 14 and 16. The employer may elect not to withhold federal and state income tax on the personal use of the vehicle, but federal wages must be reported and social security and Medicare taxes must be withheld on the value of personal use. Enclosed is a worksheet and the corresponding lease value table to be used to determine this amount.

Section IV: Fringe Benefit Reporting

Employer's Worksheet To Calculate Employee's Taxable Income Resulting From Employer-Provided Vehicle

EMPLOYEE: _____

DESCRIPTION OF VEHICLE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO ANY EMPLOYEE: _____

DATE VEHICLE FIRST MADE AVAILABLE TO THIS EMPLOYEE: _____

ANNUAL LEASE VALUE METHOD (For Autos Available 30 Days or More)

Fair market value of vehicle (to be redetermined at the beginning of the fifth year and every four years thereafter) \$ _____

Annual lease value, per attached chart \$ _____ (1)

Enter number of days during the year that the vehicle was available X _____

Divide by number of days in tax year _____

Prorated annual lease value _____

Personal use % (personal/total miles, per statement from employee) X %

Personal annual lease value \$ _____

If fuel is provided by employer, enter personal miles _____ X .055 (2) + _____

Personal use taxable income \$ _____

- (1) For autos available for 7 days or less, multiply the annual lease value by 4. If the availability is more than 7 days, but less than 30, the taxpayer may elect to use the annual lease value without the 4 multiplier.
- (2) If fuel is provided "in kind", the fair market value may be determined based on all facts and circumstances or, alternatively, at 5-1/2 cents per mile if auto usage is within the U.S., Canada, and Mexico. Generally, where fuel is purchased and charged to the employer, the actual cost or reimbursement should be used. If employers with a fleet of 20 or more vehicles reimburse or allow employees to charge fuel cost, the fleet-averaged cents per mile may be used. If the fleet employer determines that actual cost or fleet average methods are unreasonable administrative burdens, the 5-1/2 cents per mile may be used.

Section IV: Fringe Benefit Reporting

Annual Lease Value Table – Automobile

Automobile Fair Market Value	Annual Lease Value	Automobile Fair Market Value	Annual Lease Value
0 – 999	600	22,000 – 22,999	6,100
1,000 – 1,999	850	23,000 – 23,999	6,350
2,000 – 2,999	1,100	24,000 – 24,999	6,600
3,000 – 3,999	1,350	25,000 – 25,999	6,850
4,000 – 4,999	1,600	26,000 – 27,999	7,250
5,000 – 5,999	1,850	28,000 – 29,999	7,750
6,000 – 6,999	2,100	30,000 – 31,999	8,250
7,000 – 7,999	2,350	32,000 – 33,999	8,750
8,000 – 8,999	2,600	34,000 – 35,999	9,250
9,000 – 9,999	2,850	36,000 – 37,999	9,750
10,000 – 10,999	3,100	38,000 – 39,999	10,250
11,000 – 11,999	3,350	40,000 – 41,999	10,750
12,000 – 12,999	3,600	42,000 – 43,999	11,250
13,000 – 13,999	3,850	44,000 – 45,999	11,750
14,000 – 14,999	4,100	46,000 – 47,999	12,250
15,000 – 15,999	4,350	48,000 – 49,999	12,750
16,000 – 16,999	4,600	50,000 – 51,999	13,250
17,000 – 17,999	4,850	52,000 – 53,999	13,750
18,000 – 18,999	5,100	54,000 – 55,999	14,250
19,000 – 19,999	5,350	56,000 – 57,999	14,750
20,000 – 20,999	5,600	58,000 – 59,999	15,250
21,000 – 21,999	5,850		

For vehicles having a fair market value above \$59,999, the Annual Lease Value is equal to:
 (.25 x automobile fair market value) + \$500.

Section VI: Electronic Filing of Federal Tax Deposits

Moving Expenses

If you paid for an employee's move to a different home because of a change in job location, these payments may be excludable from tax. The employee must meet the distance and time test to qualify for this exclusion. Excluded moving expense payments must be reported in Box 12 with code P.

Distance Test: The employee's commuting distance between their former residence and new work location must increase by at least 50 miles as measured by the shortest of the most commonly traveled routes. In other words, the new position must be at least 50 miles from the employee's former home in order for the moving expenses to be excludable.

Time Test: The move must occur within one year (before or after) of an employee starting work at the new location. An employee must work full time in the general area of their new workplace for at least 39 weeks during the 12 months following the move. You may exclude the income from the W-2 even if they have not met the time test before the W-2 forms are due but you expect that the 39-week test will be met by the end of 2011. If you exclude the moving expenses from the employee's 2011 W-2 but he/she does not meet the time test, you will have to either amend the 2011 W-2 or report that amount in the following year.

Employer reimbursement for moving household goods and personal effects and travel to the new location, including lodging along the way, is excludable from income. Meals expense, pre-move house hunting, and expenses involving buying or selling a home are not excludable from income and must be included as taxable income on the W-2.

Health Savings Accounts (HSAs)

Authorized by the Medicare Prescription Drug, Improvement and Modernization Act of 2003, health savings accounts can be established by employers for their employees and funded either by the employer, employee, or both.

Employers make pre-tax cash contributions into a bank or savings account designated as an HSA account. These accounts must be coupled with a high deductible health insurance policy. Employer contributions to an HSA are tax deductible like other types of healthcare benefits. Neither the contribution into nor the withdrawals from the HSA to pay for covered medical expenses are considered taxable income to the employee.

All contributions, whether or not made by the employee through a cafeteria plan, must be reported on the W2 in box 12 using Code W. Employer contributions are not subject to FIT, SIT, Social Security, and Medicare taxes. Reporting these amounts in box 12 will not affect amounts reported in boxes 1, 3, and 5 of the W2. **New for 2011, Wisconsin now follows Federal rules for HSAs.**

Section V: 2012

State Unemployment Rates

You should have received your year 2012 state unemployment insurance tax rate. Please send us a copy as soon as possible if we process your payroll.

Tax Law Change Highlights

Wage base limits

There will be a change in the FICA taxable wage base for 2012. The OASDI wage base will be \$110,100. There is no Medicare wage base. The FICA tax rate will return to 6.2% on OASDI and will remain 1.45% on Medicare. There is no change to the wage base for Federal Unemployment tax. The Wisconsin Unemployment tax wage base for 2011 is \$13,000. This will remain the same for 2012.

Special Assessment of Fund Interest on Outstanding Federal Loans

Like more than 30 other states, Wisconsin's unemployment insurance reserve fund had to rely on federal loans to help fund benefits to the record number of claimants during and since the recent recession. Although the federal government waived the interest on its loans in 2009 and 2010, it began charging interest in 2011. Because employer unemployment taxes are restricted by the federal government to only paying benefits, Wisconsin's unemployment insurance program (UI) issued a special assessment on employers to raise the necessary funds to pay the federal loan's interest expense, as prescribed by statute. The UI reserve fund paid the first interest payment of \$42.3 million on September 30, 2011.

Until the federal loan is fully paid, UI will pay interest on the outstanding balance. UI currently estimates that the loan will be paid off by the end of 2014. Consequently, employers can expect an annual special assessment for interest for the next three years.

The next special assessment will be billed in August 2012 with payment to UI due in September 2012.

Reduction in Federal Unemployment Tax Credit

"Taxable" employers are subject to a federal unemployment tax (FUTA), which is currently 6.0% of the first \$7,000 of employee earnings. FUTA allows a 5.4% tax credit for employers in good standing with their state unemployment program so most employers have a net FUTA rate of 0.6%. However, the net rate will increase for Wisconsin employers in each of the next three years because of automatic reductions to the tax credit.

Section V: 2012

The 5.4% tax credit will decrease 0.3% in the first year and an additional 0.3% in each succeeding year until the federal loans are fully repaid. Once the federal loans are repaid, the tax credit will return to 5.4% and no additional taxes will be assessed.

“Taxable” employers could expect, when compared to their 2011 payment, an additional assessment of:

- 0.3% of the first \$7,000 of **2011 taxable employee earnings payable in January 2012**, or up to \$21.00 per employee;
- 0.6% of the first \$7,000 of 2012 taxable employee earnings payable in January 2013, or up to \$42.00 per employee; and
- 0.9% of the first \$7,000 of 2013 taxable employee earnings payable in January 2014, or up to \$63.00 per employee.

The additional federal tax revenue generated by reductions in the tax credit will be used to pay down the federal loan balance. No additional assessment is expected after 2014 because the reserve fund is expected to have paid off all federal loans.

Hiring Incentives to Restore Employment Act

The HIRE act, signed into law March 18, 2010, created two new tax benefits that are available to employers who hire certain “qualified employees” in their trade of business.

The Payroll Tax Exemption provided qualified employers with an exemption from the employer’s 6.2% share of social security tax on wages paid to “qualified employees” from March 19, 2010 through December 31, 2010.

The Retention Credit provides employers with a General Business Credit of up to \$1,000 for each qualified employee they retain for at least 52 consecutive weeks, whose wages do not significantly decrease during the last 26 weeks. The amount of the credit is the lesser of \$1,000 or 6.2% of wages (as defined for income tax withholding purposes) paid by the employer to the retained qualified employee during the 52 consecutive week period.

The Wegner Payroll Department recently sent out letters to those payroll clients with “qualified employees” verifying the above stipulations. The credit will be claimed on the income tax returns.

Social Security Tax Rate Changes

A vote has been passed to extend the 4.2% cut on Social Security Tax for two month. **Beginning January 1, 2012 Social Security Tax will be 4.2% until February 29, 2012.**

Section VI: Electronic Filing of Federal Tax Deposits

When should a monthly federal tax depositor be switched to semi-weekly depositor?

Your annual deposit frequency is determined by your total tax liability (not reduced for EIC payments) during a four quarter lookback period. The lookback period for 2012 is July 1, 2010 – June 30, 2011. If your total tax liability is more than \$50,000 you should start depositing your federal tax deposits on a semi-weekly basis (after every payroll) in 2012.

If you accumulate \$100,000 or more in taxes on any day during a monthly or semiweekly deposit period, you must deposit the tax by the next business day, whether you are a monthly or semiweekly schedule depositor.

If you are a monthly schedule depositor and accumulate \$100,000 tax liability on any day, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year.

Section VII: New Hire Reporting

On October 1, 1997 the federal government put in effect new mandatory new hire legislation. The State of Wisconsin began enforcing the New Hire Reporting on January 1, 1998.

The New Hire Reporting requires all employers to report all new hires/rehires to the Department of Workforce Development within 20 days of the employee's start date.

The information will be used to locate parents and enforce support agreements.

Penalties for not complying with these new requirements range from \$25 to \$500 per employee.

Section VIII: Required Posters

Required federal and state posters can be downloaded and printed from the following websites for free. If you're unsure of which federal posters you are required to display, you can use the elaws Poster Advisors tool offered on the federal site listed below. The posters, available in English and other languages, can be downloaded and printed directly from the Advisor tool.

Federal Posters - <http://www.dol.gov/compliance/topics/posters.htm>

State Posters - <http://www.dwd.state.wi.us/dwd/posters.htm>

Section IX: 2012 Holidays and Tax Deposit Due Dates

2012 holidays observed by the Federal Reserve Board

New Years Day	January 1
Martin Luther King, Jr. Day	January 16
President's Day	February 20
Memorial Day	May 28
Independence Day	July 4
Labor Day	September 3
Columbus Day	October 8
Veterans Day	November 11
Thanksgiving Day	November 22
Christmas Day	December 25

Monthly Depositor

Quarter 1	Federal Due Date	State Due Date
January	February 15	February 29
February	March 15	April 2
March	April 16	April 30

Quarter 2	Federal Due Date	State Due Date
April	May 15	May 31
May	June 15	July 2
June	July 16	July 31

Quarter 3	Federal Due Date	State Due Date
July	August 15	August 31
August	September 17	October 1
September	October 15	October 31

Quarter 4	Federal Due Date	State Due Date
October	November 15	November 30
November	December 17	December 31
December	January 15, 2013	January 31, 2013

If you are a semi-weekly depositor, please see table 2 (copy attached at end).

Section IX: 2012 Holidays and Tax Deposit Due Dates

State Semi-Monthly Depositor

Quarter 1	Due Date
January 1 - 15	January 31
January 16 - 31	February 15
February 1 - 15	February 29
February 16 - 28	March 15
March 1 - 15	April 2
March 16 - 31	April 16

Quarter 2	Due Date
April 1 - 15	April 30
April 16 - 30	May 15
May 1 - 15	May 31
May 16 - 31	June 15
June 1 - 15	July 2
June 16 - 30	July 16

Quarter 3	Due Date
July 1 - 15	July 31
July 16 - 31	August 15
August 1 - 15	August 31
August 16 - 31	September 17
September 1 - 15	October 1
September 16 - 30	October 15

Quarter 4	Due Date
October 1 - 15	October 31
October 16 - 31	November 15
November 1 - 15	November 30
November 16 - 30	December 17
December 1 - 15	December 31
December 16 - 31	January 15, 2013

State Quarterly Depositor

	Due Date
First Quarter (January - March)	April 30
Second Quarter (April - June)	July 31
Third Quarter (July - September)	October 31
Fourth Quarter (October - December)	January 31, 2013

Form W-4 (2012)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2012 expires February 18, 2013. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity

income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2012. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Future developments. The IRS has created a page on www.irs.gov for information about Form W-4, at www.irs.gov/w4. Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted on that page.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A _____
B	Enter "1" if: <ul style="list-style-type: none"> • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. 	B _____
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C _____
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D _____
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E _____
F	Enter "1" if you have at least \$1,900 of child or dependent care expenses for which you plan to claim a credit	F _____
G	Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three to seven eligible children or less "2" if you have eight or more eligible children. • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child 	G _____
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶	H _____
	For accuracy, complete all worksheets that apply. <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2. • If you are single and have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below. 	

----- Separate here and give Form W-4 to your employer. Keep the top part for your records. -----

Form W-4 Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0;">▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>	OMB No. 1545-0074 <div style="font-size: 2em; font-weight: bold; text-align: center;">2012</div>
1 Your first name and middle initial	Last name	2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)	6 Additional amount, if any, you want withheld from each paycheck	5 _____ 6 \$ _____
7 I claim exemption from withholding for 2012, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶		7 _____
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (This form is not valid unless you sign it.) ▶		Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)	9 Office code (optional)	10 Employer identification number (EIN)

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions or claim certain credits or adjustments to income.

1	Enter an estimate of your 2012 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions	1	\$ _____
2	Enter: $\left\{ \begin{array}{l} \$11,900 \text{ if married filing jointly or qualifying widow(er)} \\ \$8,700 \text{ if head of household} \\ \$5,950 \text{ if single or married filing separately} \end{array} \right\}$	2	\$ _____
3	Subtract line 2 from line 1. If zero or less, enter “-0-”	3	\$ _____
4	Enter an estimate of your 2012 adjustments to income and any additional standard deduction (see Pub. 505)	4	\$ _____
5	Add lines 3 and 4 and enter the total. (Include any amount for credits from the <i>Converting Credits to Withholding Allowances for 2012 Form W-4</i> worksheet in Pub. 505.)	5	\$ _____
6	Enter an estimate of your 2012 nonwage income (such as dividends or interest)	6	\$ _____
7	Subtract line 6 from line 5. If zero or less, enter “-0-”	7	\$ _____
8	Divide the amount on line 7 by \$3,800 and enter the result here. Drop any fraction	8	_____
9	Enter the number from the Personal Allowances Worksheet , line H, page 1	9	_____
10	Add lines 8 and 9 and enter the total here. If you plan to use the Two-Earners/Multiple Jobs Worksheet , also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1	10	_____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

1	Enter the number from line H, page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet)	1	_____
2	Find the number in Table 1 below that applies to the LOWEST paying job and enter it here. However , if you are married filing jointly and wages from the highest paying job are \$65,000 or less, do not enter more than “3”	2	_____
3	If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. Do not use the rest of this worksheet	3	_____
Note. If line 1 is less than line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.			
4	Enter the number from line 2 of this worksheet	4	_____
5	Enter the number from line 1 of this worksheet	5	_____
6	Subtract line 5 from line 4	6	_____
7	Find the amount in Table 2 below that applies to the HIGHEST paying job and enter it here	7	\$ _____
8	Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed	8	\$ _____
9	Divide line 8 by the number of pay periods remaining in 2012. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2011. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	\$ _____

Table 1

Table 2

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$5,000	0	\$0 - \$8,000	0	\$0 - \$70,000	\$570	\$0 - \$35,000	\$570
5,001 - 12,000	1	8,001 - 15,000	1	70,001 - 125,000	950	35,001 - 90,000	950
12,001 - 22,000	2	15,001 - 25,000	2	125,001 - 190,000	1,060	90,001 - 170,000	1,060
22,001 - 25,000	3	25,001 - 30,000	3	190,001 - 340,000	1,250	170,001 - 375,000	1,250
25,001 - 30,000	4	30,001 - 40,000	4	340,001 and over	1,330	375,001 and over	1,330
30,001 - 40,000	5	40,001 - 50,000	5				
40,001 - 48,000	6	50,001 - 65,000	6				
48,001 - 55,000	7	65,001 - 80,000	7				
55,001 - 65,000	8	80,001 - 95,000	8				
65,001 - 72,000	9	95,001 - 120,000	9				
72,001 - 85,000	10	120,001 and over	10				
85,001 - 97,000	11						
97,001 - 110,000	12						
110,001 - 120,000	13						
120,001 - 135,000	14						
135,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3402(f)(2) and 6109 and their regulations require you to provide this information; your employer uses it to determine your federal income tax withholding. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation; to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws; and to the Department of Health and Human Services for use in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Table 2. Due Dates for Electronic Funds Transfer of Taxes for 2012 Under the Semiweekly Rule

First Quarter:		Second Quarter:		Third Quarter:		Fourth Quarter:	
Payroll Date	Due Date	Payroll Date	Due Date	Payroll Date	Due Date	Payroll Date	Due Date
Jan 1-3	Jan 6	Apr 1-3	Apr 6	Jul 1-3	Jul 9	Oct 1-2	Oct 5
Jan 4-6	Jan 11	Apr 4-6	Apr 11	Jul 4-6	Jul 11	Oct 3-5	Oct 11
Jan 7-10	Jan 13	Apr 7-10	Apr 13	Jul 7-10	Jul 13	Oct 6-9	Oct 12
Jan 11-13	Jan 19	Apr 11-13	Apr 19	Jul 11-13	Jul 18	Oct 10-12	Oct 17
Jan 14-17	Jan 20	Apr 14-17	Apr 20	Jul 14-17	Jul 20	Oct 13-16	Oct 19
Jan 18-20	Jan 25	Apr 18-20	Apr 25	Jul 18-20	Jul 25	Oct 17-19	Oct 24
Jan 21-24	Jan 27	Apr 21-24	Apr 27	Jul 21-24	Jul 27	Oct 20-23	Oct 26
Jan 25-27	Feb 1	Apr 25-27	May 2	Jul 25-27	Aug 1	Oct 24-26	Oct 31
Jan 28-31	Feb 3	Apr 28-May 1	May 4	Jul 28-31	Aug 3	Oct 27-30	Nov 2
Feb 1-3	Feb 8	May 2-4	May 9	Aug 1-3	Aug 8	Oct 31-Nov 2	Nov 7
Feb 4-7	Feb 10	May 5-8	May 11	Aug 4-7	Aug 10	Nov 3-6	Nov 9
Feb 8-10	Feb 15	May 9-11	May 16	Aug 8-10	Aug 15	Nov 7-9	Nov 15
Feb 11-14	Feb 17	May 12-15	May 18	Aug 11-14	Aug 17	Nov 10-13	Nov 16
Feb 15-17	Feb 23	May 16-18	May 23	Aug 15-17	Aug 22	Nov 14-16	Nov 21
Feb 18-21	Feb 24	May 19-22	May 25	Aug 18-21	Aug 24	Nov 17-20	Nov 26
Feb 22-24	Feb 29	May 23-25	May 31	Aug 22-24	Aug 29	Nov 21-23	Nov 28
Feb 25-28	Mar 2	May 26-29	June 1	Aug 25-28	Aug 31	Nov 24-27	Nov 30
Feb 29-Mar 2	Mar 7	May 30-Jun 1	Jun 6	Aug 29-31	Sep 6	Nov 28-30	Dec 5
Mar 3-6	Mar 9	Jun 2-5	Jun 8	Sep 1-4	Sep 7	Dec 1-4	Dec 7
Mar 7-9	Mar 14	Jun 6-8	Jun 13	Sep 5-7	Sep 12	Dec 5-7	Dec 12
Mar 10-13	Mar 16	Jun 9-12	Jun 15	Sep 8-11	Sep 14	Dec 8-11	Dec 14
Mar 14-16	Mar 21	Jun 13-15	Jun 20	Sep 12-14	Sep 19	Dec 12-14	Dec 19
Mar 17-20	Mar 23	Jun 16-19	Jun 22	Sep 15-18	Sep 21	Dec 15-18	Dec 21
Mar 21-23	Mar 28	Jun 20-22	Jun 27	Sep 19-21	Sep 26	Dec 19-21	Dec 27
Mar 24-27	Mar 30	Jun 23-26	Jun 29	Sep 22-25	Sep 28	Dec 22-25	Dec 28
Mar 28-30	Apr 4	Jun 27-29	Jul 5	Sep 26-28	Oct 3	Dec 26-28	Jan 3
Mar 31	Apr 6	Jun 30	Jul 9	Sep 29-30	Oct 5	Dec 29-31	Jan 4

NOTE: This calendar reflects all federal holidays.