PayDay

Virtually everybody's payroll check will change in an Obama administration. Pres-Elect Obama supports legislation to increase taxes on people earning $250,000 or more, and supports decreasing taxes on lower income individuals.

Most experts expect an Obama administration will act quickly to cut taxes on lower income people, and will likely postpone some of the supported tax increases on upper income individuals until at last 2010. The anticipated tax increase delays are due to the current poor economic conditions.

ANTICIPATED FICA TAX CHANGES

Pres-Elect Obama supports increasing FICA (social security) taxes for those earning $250,000 or more. Currently, the FICA tax is withheld, with an equal employer "match", on a maximum of $106,800 in 2009 W-2 wages. This provision is certain to affect both employee and employer taxes, FICA taxes for employers of executives, healthcare professionals, and many small business owners.

Lower income workers can expect a tax credit to offset FICA tax they pay. The tax credits will likely be built into the FICA and federal income tax withholding "tables".

In essence, higher income employees will pay

increased FICA taxes in order to help fund future social security benefits for lower income employees.

ANTICIPATED INCOME TAX LAW CHANGES

Pres-Elect Obama favors increasing the current highest Federal income tax bracket of 35% to increased brackets of 36% and 39.6%. These higher tax brackets would apply to singles with income above $200,000 and married couples who earn above $250,000.

Pres-Elect Obama favors decreased Federal income tax for lower income Americans, in the form of increased "earned income tax credits" (which enable Americans to receive tax refunds without paying any income tax into the system), and a new provision which would exempt senior citizens earning $50,000 or less annually from paying Federal income tax.

In essence, our "progressive" system of federal income tax rates will be enhanced and impose increased taxes on those earning $200,000 or more, and decreased taxes (or in many cases "negative" taxes in the form of government checks) for lower income Americans and senior citizens.

MINIMUM WAGE / BENEFIT PROGRAMS

Pres-Elect Obama has supported increasing the Federal minimum wage to $9.50 per hour by year 2011. The current minimum wage of $6.55 increases to $7.25 per hour on July 24, 2009.

Other initiatives supported by Pres-Elect Obama include requiring employers to provide a minimum number of paid sick days, expanding FMLA coverage to employers with at least 25 employees (currently FMLA requires at least 50 employees), and requiring at least 24 hours of "leave" per year for employees to participate in children's academic

activities.

IN CONCLUSION

The purpose of this PayDay is to simply provide you a "glimpse" at possible tax and labor law changes in an Obama administration. AccuPay will provide you with further details as laws are enacted and regulations are published. As always, call your "CPP/CPA services team" at 885-7600 with any questions or concerns.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

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