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**UPDATED 2012 AMOUNTS WHICH AFFECT PAYROLL ARE AS FOLLOWS:**

**VEHICLE REIMBURSEMENTS**

The IRS will allow business mileage tax deductions at the rate of 55.5 cents per mile, effective for miles driven in 2012. An employer may choose to reimburse employees at the IRS rate for business miles driven on their personal vehicle, without the reimbursement being reported as taxable wages to the employee. Reimbursements for 2012 above 55.5 cents per mile must be treated as taxable wages.

**NOTE -- An employer is not required to use the IRS mileage rate for employee reimbursements, and therefore can reimburse more (taxable on excess) or less than the IRS rate.**

**HEALTH SAVINGS ACCOUNTS**

The 2012 annual funding limits to health savings accounts (HSA's) are \$3,100 for self-only or \$6,250 for family HSA's. Employees age 55 - 65 can fund additional "catch-up" amounts of \$1,000 to HSA's (to \$4,100 for self-only and \$7,250 for family HSA accounts).

These 2012 annual funding limits are the combined contribution amounts between employee and employer funding.

**NOTE -- It is always smart to include employee HSA contributions as an "includable benefit" in a written Section 125 cafeteria plan document, in order to save FICA/Medicare taxes.**

**EMPLOYER-PAID PARKING**

An employer may reimburse or directly pay employees for up to \$240 per month of parking as a non-taxable fringe benefit. The parking must be job-related and on or near the employer's business location.

**NOTE -- "Downtown" employers may want to consider providing non-taxable parking benefits in lieu of taxable employee wages.**

## **FUNDING 2012 RETIREMENT PLANS**

Funding limits for employee payroll deductions to various types of "qualified" retirement plans during 2012 are as follows:

<u>Type of Plan</u>	<u>Regular Amount</u>		<u>Additional "Catch-up"*</u>
401K, 403b annuity and 457 govt.	\$17,000	+	\$ 5,500
SIMPLE-IRA	\$11,500	+	\$ 2,500

\*An employee must be at least age 50 by 12/31/12 to contribute the "catch-up" contributions.

**NOTE - The maximum compensation which can be "counted" for defined contribution retirement plans is \$250,000 for 2012 (which produces a funding "cap" of \$50,000 in 2012).**

## **SOCIAL SECURITY WAGE BASE**

Wages are taxed up to \$110,100 for FICA in year 2012. Both FICA and Medicare tax rates in 2012 are unchanged from 2011 rates of 6.2% and 1.45%. The 2011 decrease in the employee's share of FICA tax from 6.2 to 4.2% has been extended through February 2012. The employer share of FICA will remain at 6.2%. Stay tuned on this one!

**Call one of AccuPay's CPP/CPA teams at 888-2047 with questions about your payroll or suggestions about how we can serve you better in 2012!**

*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.*