

The U.S. Internal Revenue Service has published payroll tax withholding amounts that are applicable for wages paid in 2012, according to IRS Publication 15 (Circular E) Employer's Tax Guide for 2012 (<http://www.irs.gov/pub/irs-pdf/p15.pdf>).

After you close Payroll and print all reports and W-2s for 2011, update your payroll parameters as follows before you run your first payroll for 2012:

1. Make sure CAPS LOCK is on.
2. Go to the (L4) screen (in the DDMS graphical menu, double-click **KeyOp Menu**, then double-click **Parameters**, then double-click **Text-Based Parameters**.)
3. Select **[4] Federal Payroll Parameters**.
4. Select the **[C] Change** action code.
5. Make your screen match the screen below (changes **highlighted**), tabbing to each field.

Notes: As of February 22, 2012, the Middle Class Tax Relief and Job Creation Act of 2012 extends a two percentage point payroll tax cut. This tax cut no longer ends effective February 29. It continues employees' Social Security tax withholding rate of 4.2 percent of wages paid through the end of 2012.

The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2011

Don't forget! Change the Social Security Emp % and Maximum SS Amount as highlighted below. The social security wage base limit is **\$110,100**. **Federal Dependent Allowance is now \$3800**, as shown.

6. To save your changes, press **Enter** until prompted, "Press Any Key To Continue."

Action [I] (C=Change, I=Inquiry)		Federal Tax Tables From Circ. E			
		From	To	Amt.	Tax%
Social Security	Emp % 4.20 Co % 6.20	\$ 0	\$ 2150	\$ 0	% 0.0
		\$ 2150	\$ 10850	\$ 0	% 10.0
Maximum SS Amount	\$ 110100	\$ 10850	\$ 37500	\$ 870	% 15.0
		\$ 37500	\$ 87800	\$ 4868	% 25.0
Medicare	Emp % 1.45 Co % 1.45	\$ 87800	\$ 180800	\$ 17443	% 28.0
		\$ 180800	\$ 390500	\$ 43483	% 33.0
		\$ 390500	\$ 999999	\$ 112684	% 35.0
Federal Dependent Allowance (Annual)	\$ 3800	\$ 999999	\$ 999999	\$ 112684	% 35.0
		\$ 999999	\$ 999999	\$ 112684	% 35.0
These Tables Are Annual					
Calculate State (GST) and District (PST)		\$ 0	\$ 8100	\$ 0	% 0.0
Taxes Separately		\$ 8100	\$ 25500	\$ 0	% 10.0
District (PST) Tax		\$ 25500	\$ 78800	\$ 1740	% 15.0
(HST) Tax		\$ 78800	\$ 150800	\$ 9735	% 25.0
		\$ 150800	\$ 225550	\$ 27735	% 28.0
		\$ 225550	\$ 396450	\$ 48665	% 33.0
Item De		\$ 396450	\$ 999999	\$ 105062	% 35.0
		\$ 999999	\$ 999999	\$ 105062	% 35.0
		\$ 999999	\$ 999999	\$ 105062	% 35.0

NOTE: If you had employees making more than \$375,700 in 2010, please note that the IRS set a new tax withholding tier on Dec. 17, 2009 effective for withholding in 2010. We enhanced DDMS 8.22 so that the (L4) Federal Payroll Tables parameter screen accommodates the new tier, so that you can fill the 8th and 9th rows for both single and married staff. The IRS has not used the extra tier since 2010.