

2021 FEDERAL PAYROLL TAX RATES

New Federal Income Tax withholding tables have been issued for 2021. This information is included in IRS Publications 15 (Circular E) and 15-T.

FICA and Medicare – Employer & Employee			
TAX	FICA	MEDICARE	ADDITIONAL MEDICARE
Employee Wage Limit	\$0 to \$142,800	\$0 to \$200,000	Over \$200,000
Employer Wage Limit	\$0 to \$142,800	None	N/A
Employer & Employee Tax Rate	6.2% (0.062)	1.45% (0.0145)	N/A
Employee Tax Rate	N/A	N/A	1.45% + 0.9% = 2.35% (0.0235)
Employee Maximum Tax	\$8,853.60	\$2,900.00	No Limit
Employer Maximum Tax	\$8,853.60	No Limit	N/A

NOTE: For wages paid to each employee up to \$142,800, the combined FICA and Medicare rate is 7.65% (.0765). For wages paid to each employee over \$142,800, only the Medicare rate of 1.45% (.0145) applies. For wages paid to each employee over \$200,000, the employer is required to withhold an additional 0.9% (0.009) for a total Medicare rate of 2.35% (0.0235). There is no employer matching for the additional 0.9% in Medicare tax.

Federal Unemployment Insurance (FUI)	
Employer Wage Limit	\$7,000
Employer Tax Rate	0.6% (.006) ¹
Employer Maximum Tax (Generally)	\$42.00 ¹

¹The FUI tax rate is 6.0% on the first \$7,000 of each employee's wages. Generally an employer receives a tax credit of 5.4% if its state unemployment insurance (UI) contributions were paid timely, thus effectively reducing the FUI tax rate to 0.6% (0.006). California repaid its outstanding Title XII loan in 2018. Consequently, California employers receive the full 5.4% tax credit resulting in an effective FUI tax rate of 0.6%.

Federal Supplemental Wage / Bonus Rates	
Optional Flat Rate - Supplemental Wages to \$1 Million	22%
Mandatory Flat Rate - Supplemental Wages over \$1 Million	37% ²

²Highest rate of income tax as modified by the Tax Cuts and Jobs Act of 2017 for tax years 2018-2025 under IRC §1(j)(2)(F).

Federal Backup Withholding Rate

Backup withholding for federal income tax	24% ³
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³For reportable payments when payee fails to provide a correct Taxpayer Identification Number. Rate as modified by the Tax Cuts and Jobs Act of 2017 for tax years 2018-2025 under P.L. 115-97.

2021 CALIFORNIA PAYROLL TAX RATES

New California Income Tax Withholding schedules have been issued for 2021. This information is included in the California Employer's Guide (Publication DE 44).

State Disability Insurance (SDI) / State Unemployment Insurance (SUI) & Employee Training Tax (ETT)

	SDI	SUI	ETT
Employee Wage Limit	\$0 to \$128,298	N/A	N/A
Employer Wage Limit	N/A	\$0 to \$7,000	\$0 to \$7,000
Tax Rate	1.2% ⁴	1.5% to 6.2% ⁵	0.1% or Zero
Maximum Tax	\$1,539.58	\$105.00 - \$434.00	\$7.00 or Zero

⁴Includes .08% for Paid Family Leave (PFL).

⁵The standard UI rate for new employers is 3.4% for the first three years.

The SUI rate is assigned to employers based on experience. The Employment Development Department (EDD) sends Form DE 2088, Notice of Contribution Rates, and Statement of UI Reserve Account to all employers in December informing them of their SUI rate. The notice will also indicate whether the employer's ETT rate is 0.1 percent or zero. Employers have 60 days from the date of notification to dispute their UI contribution rate.

California Supplemental Wage / Bonus Rates

Supplemental Wages - Bonuses and Stock Options	10.23%
Supplemental Wages - Other than Bonuses and Stock Options	6.6%

California Backup Withholding Rate

Backup withholding for state income tax	7% ⁶
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⁶For reportable payments when payee fails to provide a correct Taxpayer Identification Number.

2021 FEDERAL PAYROLL TAX REQUIREMENTS

FEDERAL DEPOSIT REQUIREMENTS FOR 2021:

1. Depositing Taxes: All employers are required to make their federal tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS). An employer may be subject to a 10% penalty if required to use EFTPS and fails to do so. The only exceptions to this rule are an employer who files form 941 can send a check with the return if their liability is \$2,500 or less for the quarter; or an employer who files form 944 can send a check with the return if their liability is \$2,500 or less annually. When using EFTPS, be sure to indicate the type of tax and the tax period against which the deposit is to be applied:

Type of Tax: Form 941 for FICA, Medicare, and withheld income tax

Tax Period: The calendar quarter in which the payments are withheld, **NOT** the quarter in which the deposit is made

Electronic Funds Transfer Payment System (EFTPS) is the electronic method for making federal tax payments. For deposits to be on time, the transaction must be **submitted before 5 p.m.** Pacific time the day before the date the deposit is due.

The IRS recommends employers who outsource their payroll to enroll in EFTPS to monitor their accounts and ensure that timely tax payments are being made on their behalf. Employers are ultimately responsible for the timely filing of employment tax returns and the timely payment of employment taxes.

2. In General: An employer is either (1) a monthly depositor or (2) a semi-weekly depositor. The IRS will notify you of your deposit status only if there is a change in your deposit schedule. You are classified as a monthly or semi-weekly depositor based on the total taxes reported on Form 941 for the prior four quarters ending on June 30 of the preceding year (the look-back period). If you reported \$50,000 or less of employment taxes for the look-back period, you are a monthly depositor; if you reported more than \$50,000 of employment taxes during this look-back period, you are a semi-weekly depositor for the current year (but see the \$100,000 and \$2,500 deposit rules below).
3. \$100,000 Next-Day Deposit Rule: If you accumulate taxes of \$100,000 or more on any day in a deposit period, the taxes must be deposited by the close of the next business day. This rule applies to both monthly and semi-weekly depositors. The deposit period is a calendar month for a monthly depositor and Wednesday through Friday and Saturday through Tuesday for a semi-weekly depositor. Any monthly depositor who becomes subject to this \$100,000 next-day deposit rule immediately becomes a semi-weekly depositor for the remainder of 2021 and all of 2022.
4. Semi-weekly Depositor Rule: Deposits of employment and other taxes withheld are due on Wednesday or Friday, depending on the day of the week that the payments are made:

Payment Days/Deposit Periods	Deposit Due Dates
Wednesday, Thursday, or Friday	Following Wednesday
Saturday, Sunday, Monday, or Tuesday	Following Friday

Suppose a quarter ends in the middle of a deposit period. In that case, any taxes relating to payments made for the quarter just ended must be deposited separately from any taxes relating to payments made for the new quarter.

5. Monthly Depositor Rule: The employment and other taxes withheld on payments made during a calendar month must be deposited by the 15th day of the following month.
6. \$2,500 Quarterly Deposit Rule: If you accumulate less than a \$2,500 tax liability during either the current quarter or the preceding quarter **AND** you were not subject to the \$100,000 next-day deposit rule during the current quarter, you are not required to make a deposit. You may pay the tax when you file your quarterly return.
7. New Employers: New employers are monthly depositors for the first year of their business (note the \$100,000 next-day deposit rule exception above).
8. Deposits on Business Days Only: If a deposit is required to be made on a day that is not a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. In addition, a special rule is provided for semi-weekly depositors to allow them at least three business days to make a deposit.

FUI DEPOSIT REQUIREMENTS FOR 2021:

1. Depositing Taxes: All employers are required to make their FUI tax deposits electronically via the Electronic Federal Tax Payment System (EFTPS). An employer may be subject to a 10% penalty if required to use EFTPS and fails to do so. When using EFTPS, be sure to indicate the type of tax and the tax period against which the FUI deposit is to be applied:

Type of Tax: Form 940

Tax Period: The fourth calendar quarter of the tax year

2. In General: At the end of any calendar quarter, if your cumulative undeposited FUI tax exceeds \$500, a deposit is due by the end of the month following the quarter-end. Amounts of \$500 or less can be deposited or paid with annual Form 940 by January 31. If the due date is not a business day, the deposit is considered to have been made timely if made by the close of the next business day.



2021 CALIFORNIA PAYROLL TAX REQUIREMENTS

CALIFORNIA DEPOSIT REQUIREMENTS FOR 2021:

1. Depositing Taxes: Employer contributions of SUI and ETT are due quarterly; however, they may be submitted more often with any required Personal Income Tax (PIT) and SDI deposits. California PIT and SDI withholdings are due based on each employer's federal deposit schedule and the amount of accumulated PIT the employer has withheld. An employer will be subject to a penalty of 15% plus interest on late payroll tax payments.

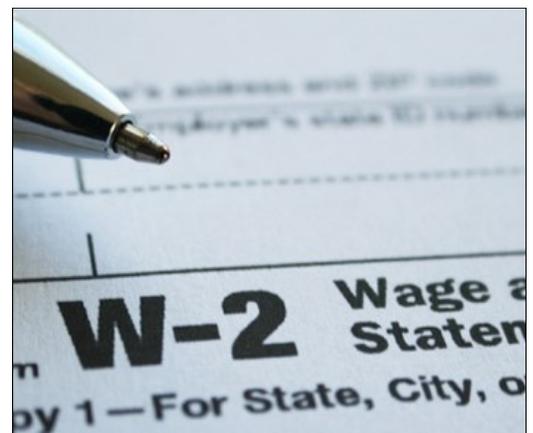
Electronic Funds Transfer (EFT) is the electronic method for making payments to the EDD. For payments to be on time, the payment transaction must be **completed before 3 p.m.** Pacific time the day before the date the deposit is due.

2. E-file and E-pay Mandate: State law requires all employers to enroll in [e-Services for Business](#) to electronically submit employment tax returns, wage reports and payroll tax deposits. Employers who are unable to comply with the mandate may request a hardship waiver. The penalties for noncompliance are \$50 per tax return, \$20 per wage item, and 15% of the payroll tax deposit due.
3. \$100,000 Next-Day Deposit Rule: If at any time you accumulate \$100,000 or more in federal employment taxes **AND** have accumulated more than \$500 in PIT withholding, you are required to deposit all state withholding taxes (SDI and PIT) by the next business day. Once you make a next business day deposit, you become a semi-weekly depositor for the remainder of 2021 and all of 2022.
4. Semi-weekly Deposits: If you are a semi-weekly depositor for federal purposes **AND** have accumulated more than \$500 in PIT withholding during one or more payroll periods, you must make state deposits on the same dates as required for federal purposes.
5. Monthly Deposits: If you are a monthly depositor for federal purposes **AND** have accumulated more than \$350 in PIT withholding during one or more months of a quarter, you must make state deposits on the same dates as required for federal purposes.
6. Quarterly Deposits: If you are required to deposit quarterly for federal purposes **AND** have accumulated \$350 or more in PIT withholding, you must make state deposits by the 15th day of the following month. Otherwise, state deposits are due by the last day of the month that follows the quarter-end.

2021 FEDERAL REPORTING REQUIREMENTS

FEDERAL REPORTING REQUIREMENTS FOR 2021:

1. Employer's Quarterly Federal Tax Return (Form 941)
Form 941 Employer's Quarterly Federal Tax Return is filed each quarter to report wages subject to income tax withholding or social security or Medicare tax, withheld federal income tax, both the employer's and the employee's share of social security and Medicare tax, and withheld additional Medicare tax. Form 941 must be filed by the last day of the month that follows the quarter-end. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.
2. Employer's Annual Unemployment (FUTA) Tax Return (Form 940)
Form 940 Employer's Annual Unemployment (FUTA) Tax Return is filed annually to report wages subject to federal unemployment tax and the employer contribution. Form 940 must be filed by the last of the month that follows the year-end. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.
3. Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund (Form 941-X)
File form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund to correct errors on a previously filed Form 941.
4. Wage and Tax Statement (Form W-2), and Transmittal of Wage and Tax Statement (Form W-3)
Form W-2 Wage and Tax Statement is filed annually to report wages and amounts withheld. Copy A of Form W-2 along with Form W-3 Transmittal of Wage and Tax Statement must be filed by January 31 of the following year. Employers who file 250 or more Forms W-2 must file electronically, or they may incur a penalty unless the IRS grants a waiver. Copies B, C, and 2 of Form W-2 are furnished to employees also by January 31 of the following year. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is the next business day.



2021 CALIFORNIA REPORTING REQUIREMENTS

CALIFORNIA REPORTING REQUIREMENTS FOR 2021:

1. Quarterly Contribution Return and Report of Wages (Form DE 9) and Quarterly Contribution Return and Report of Wages (Continuation) (Form DE 9C): California employers are required to file form DE 9, Quarterly Contribution Return and Report of Wages, and Form DE 9C, Quarterly Contribution Return and Report of Wages (Continuation).

Form DE 9 is filed quarterly to report SUI, and ETT employer contributions, along with SDI and PIT withholding. File a DE 9, even if no wages were paid during the quarter. Form DE 9C is also filed quarterly to report detailed wage items for each employee. The EDD will assess a penalty of \$20 for each unreported employee, plus interest. Form DE 9 and DE 9C must be filed by the last day of the month that follows the quarter-end. If the due date falls on a Saturday, Sunday or legal holiday, the due date is the next business day.

2. Quarterly Contribution and Wage Adjustment Form (Form DE 9ADJ): File form DE 9ADJ to claim a refund, correct employee name or Social Security Number, or report employees previously not reported to the EDD.
3. Report of New Employee(s) (DE 34): All employers are required by law to report all new employees to the New Employee Registry (NER) within 20 days of their start-of-work date. Any newly hired employee, rehired, or returning to work from a furlough, separation, termination, or leave of absence without pay is considered a new employee. Report all new employees on Form DE 34. If you acquire an ongoing business and employ any workers from the acquired company, these employees are considered new employees and must also be reported to the EDD. The EDD may assess a penalty of \$24 for each failure to report the required new employee information (\$490 for intentional disregard).
4. Report of Independent Contractor(s) (DE 542): Any business or government entity that is required to file a federal Form 1099-NEC must also report specific information to the EDD regarding any [non incorporated] independent contractor providing services to their business. This includes independent contractors from other states that work in, derive income from, or are subject to California laws. Report all independent contractors on Form DE 542 within 20 days of making payments, either totaling \$600 or more or entering into a contract for \$600 or more in any calendar year, whichever occurs first. The EDD may assess a penalty of \$24 for each failure to report the required independent contractor information (\$490 for intentional disregard).
5. E-Services for Business: is an online filing and payment option available to all employers to comply with the e-file and e-pay mandate. Employers can use [e-Services for Business](#) to view and manage their payroll tax accounts, file reports, make tax payments, update addresses, pay liabilities and much more.

If you have any questions regarding payroll tax or reporting requirements or would like to discuss your specific tax needs, please contact our tax professionals at taxalerts@windes.com or call toll free at **844-4WINDES** (844.494.6337).

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