



## 2016 Federal Tax Changes

**There are changes** in the payroll tax rates and wage limits for the Federal tax tables. These changes are effective **January 1, 2016**, but may be implemented anytime before that date. (You may access this information online at the Compusource web site at the following address: [www.compusource.com](http://www.compusource.com).)

Use the "**State/Federal Tax Tables**" option in your Payroll system to make the table changes. (Note: on some systems, the option is called "Tax Parameter File Maintenance".)

**Reporting the Cost of Group Health Insurance Coverage:** Beginning in the 2012 tax year (**W-2s printed in January 2015 for 2012 wages**) the Affordable Care Act required employers to report the cost of coverage under an employer-sponsored group health plan on an employee's Form W-2, Wage and Tax Statement, in Box 12, using Code DD. [Reference: IRS Affordable Care Act Tax Provisions](#)

The Compusource Payroll software supports this feature by allowing you to enter the total cost of the employer sponsored health plan on the W-2 screen of the Last Year Employee Maintenance. These will print in box 12 on the W-2 and a code of DD should be used (refer to the online help for more information).

### Transition Relief

For certain employers, types of coverage, and situations, there is transition relief from the requirement to report the value of coverage on the 2012 Forms W-2 (the forms for calendar year 2012 that employers generally are required to provide employees in January 2015). This relief will apply to future calendar years until the IRS publishes additional guidance. However, any guidance that expands the reporting requirements will apply only to calendar years that start at least six months after the guidance is issued. See the 'Optional Reporting' column in the below chart for the employers, types of coverage, and situations eligible for the transition relief. Refer to the [Form W-2 Reporting of Employer-Sponsored Health Coverage](#) page for more information or contact your IRS representative.

### Form 1095-C

Most employers with 50 or more employees will be required to file form 1095-C for the calendar year 2015. Compusource is partnering with Nelco to generate these forms. For more information about this partnership with Nelco, please review the webinar posted on the Compusource website Payroll Tax Info page or contact your Compusource Support representative. To determine if you meet the requirements for filing form 1095-C, please consult the Healthcare information website at <https://www.healthcare.gov/>.

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## Overview

### **Federal Unemployment Tax *for 2015***

The federal unemployment tax rate *varies by state*. **0.6%** is the **current base rate**, but due to some states being behind in payments to the federal government, their tax rates have been increased. For companies in any of the following states: **CA, KY, NC, NY** and **OH** the adjusted rate *for 2015* is **2.1% (0.021)**. Additionally, for companies in **CT** the rate is **2.6% (0.026)** and for companies in **IN**, the rate is **2.4% (0.024)**. Companies in other states should use the base rate of 0.6% (0.006).

### **Increase in the Federal Withholding Allowance for 2016**

Withholding allowances for self and dependents increases to \$4,050. Verify that the "ANNUAL EXEMPTIONS - SELF" and "DEPENDENTS" fields of the "US" (federal) record of the Tax Data File is set to 4050.00.

### **No change in the FICA/Disability Employee Tax Rate for 2016**

The FICA/Disability **Employee** rate remains at 7.65%. Verify the "FICA/DISABILITY" field of the "US" (federal) record of the Tax Data File is set to 0.07650 for the EMPLOYEE TAX RATE.

### **No change in the Social Security Base Wage Limit for 2016**

The Social Security wage base limit remains unchanged at \$118,500 for wages paid in 2016. Verify that the "FICA/DISABILITY - Employee Tax Rate" field of the "US" (federal) record of the Tax Data File is set to 118500.00 for the EMPLOYEE TAX WAGE LIMIT.

### **No Change to the Medicare Tax Rate for 2016**

The Medicare tax rate remains at 1.45% on all wages, for both employers and employees. There is no wage base limit for the Medicare tax. Keep the amount of the field "MEDI LIMIT" of the Custom screen (option U) of the "US" (federal) record at 9999999 (seven 9's).

### **Additional Medicare Tax Withholding Remains**

In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. In order to address this, you must make the following changes:

Verify the field "CUSTOM FIELD #3 NUMBER" has a description of "MEDICAREX%" with a value of "900".  
Verify the field "CUSTOM FIELD #4 NUMBER" has a description of "MEDIX LIM" with a value of "200000".  
Verify the field "CUSTOM FIELD #5 NUMBER" has a description of "ROUNDWH" with a value of "1".

### **Advance Payment of Earned Income Credit (EIC) Expired**

The option of receiving advance payroll payments of EIC **expired December 31, 2010**. Individuals eligible for EIC in 2016 may still claim the credit when they file their 2016 federal income tax return. Refer to the [Earned Income Tax Credit, Questions and Answers](#) for more information.

### **New Federal Withholding Tables**

Sample screens with the new withholding rates follow this notice. These changes should be made to the "US" (Federal) record of the Tax Parameter File. You must access the Single, Married, and Head of Household) screens individually.

***(Note that for the Federal tables, the values for Single and Head of Household are the same.)***

# 2016 Federal Tax Changes Taxdata Screen

PR920	Compusource Corporation TAX DATA FILE MAINTENANCE	1/01/16
LOCALITY #: <b>US</b>		
NAME: <b>FEDERAL-2016</b>		
ID #: <b>Your TaxID HERE</b>		
ANNUAL EXEMPTIONS-SELF:	<b>4050.00</b>	W/H TAX PAYABLE ACCT#.....:
DEPENDENTS.....:	<b>4050.00</b>	EIC ADVANCES RECEIVABLE ACCT#:
BONUS PAY W/H RATE.....:	<b>0.2500</b>	W-2 FORM DESCRIPTION.....: <b>W-2</b>
W/H METHOD.....:	<b>T</b>	941 FORM DESCRIPTION.....:
RATE.....:	<b>0.0000</b>	QTRLY USER-DEFINED FORM #'S..:
FICA/DISABILITY		FUI/UNEMPLOYMENT
<b>118500.00</b>	.....TAX WAGE LIMIT.....	<b>7000.00</b>
<b>0.07650</b>	.....EMPLOYEE TAX RATE.....	<b>0.00000</b>
<b>0.07650</b>	.....EMPLOYER TAX RATE.....	<b>0.00600*</b>
		<b>*See note below</b>
	...EMPLOYEE TAX PAY ACCT#...	<b>(Varies by state)</b>
	...EMPLOYER TAX PAY ACCT#...	
	...EMPLOYER TAX EXP ACCT#...	
F-FIND, N-NEXT, A-ADD, C-CHG, P-PRT, T-DATA, S-SNGL, M-MRD, H-HOH, E-END		

## \*Federal Unemployment Tax for 2015

The federal unemployment tax rate *varies by state*. **0.6%** is the **current base rate**, but due to some states being behind in payments to the federal government, their tax rates have been increased. For companies in any of the following states: **CA, KY, NC, NY** and **OH** the adjusted rate *for 2015* is **2.1% (0.021)**. Additionally, for companies in **CT** the rate is **2.6% (0.026)** and for companies in **IN**, the rate is **2.4% (0.024)**. Companies in other states should use the base rate of 0.6% (0.006).

## Increase in the Federal Withholding Allowance for 2016

Withholding allowances for self and dependents increases to \$4,050. Verify that the "ANNUAL EXEMPTIONS - SELF" and "DEPENDENTS" fields of the "US" (federal) record of the Tax Data File is set to 4050.00.

Reference: [Notice 1036 - Early Release Copies of the 2016 Percentage Method Tables for Income Tax Withholding](#). (Rev December 2015)

## No change in the FICA/Disability Employee Tax Rate for 2016

The FICA/Disability **Employee** rate remains at 7.65%. Verify the "FICA/DISABILITY" field of the "US" (federal) record of the Tax Data File is set to 0.07650 for the EMPLOYEE TAX RATE. (Reference: [Notice 1036](#))

## No change in the Social Security Base Wage Limit for 2016

The Social Security wage base limit remains unchanged at \$118,500 for wages paid in 2016. Verify the "FICA/DISABILITY - Employee Tax Rate" field of the "US" (federal) record of the Tax Data File is set to 118500.00 for the EMPLOYEE TAX WAGE LIMIT. (Reference: [Notice 1036](#))

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Reference: [Notice 1036 - Early Release Copies of the 2016 Percentage Method Tables for Income Tax Withholding](#). (Rev December 2015)

# 2016 Federal Tax Changes Custom Screen

PR920	Compusource Corporation				1/01/16
	TAX DATA FILE MAINTENANCE				
	LOCALITY #:	US	NAME:	FEDERAL-2016	
CUSTOM FIELD #	DESCRIPTION	NUMBER	CUSTOM FIELD #	DESCRIPTION	NUMBER
1	MEDICARE %	1450	11		0
2	MEDI LIMIT	9999999	12		0
3	MEDICAREX%	900	13		0
4	MEDIX LIM	200000	14		0
5	ROUNDWH	1	15		0
6		0	16		0
7		0	17		0
8		0	18		0
9		0	19		0
10		0	20		0

OVERRIDE CUSTOM ROUTINE CODE:

F-FIND, N-NEXT, A-ADD, C-CHG, P-PRT, T-DATA, S-SNGL, M-MRD, H-HOH, E-END

## Medicare Tax Rate

There is no change to the Medicare tax rate for employers and employees. Make sure the field "CUSTOM FIELD #1 NUMBER" contains 1450 (no decimal places). The descriptive field preceding this value should be "MEDICARE %".

## Medicare Wage Limit

There is no wage limit for Medicare taxes. Make sure the field "CUSTOM FIELD #2 NUMBER" contains 9999999 (seven 9's). The descriptive field preceding this value should be "MEDI LIMIT".

## Additional Medicare Tax Withholding Remains

In addition to withholding Medicare tax at 1.45%, you must withhold a 0.9% Additional Medicare Tax from wages you pay to an employee in excess of \$200,000 in a calendar year. In order to address this, you must make the following changes:

Verify the field "CUSTOM FIELD #3 NUMBER" has a description of "MEDICAREX%" with a value of "900".

Verify the field "CUSTOM FIELD #4 NUMBER" has a description of "MEDIX LIM" with a value of "200000".

Verify the field "CUSTOM FIELD #5 NUMBER" has a description of "ROUNDWH" with a value of "1".

# 2016 Federal Tax Changes Single Screen

PR920		Compusource Corporation TAX DATA FILE MAINTENANCE		1/01/16	
LOCALITY #:		US		NAME: FEDERAL-2016	
	LOWER WAGE LIMIT	BASE	W/H RATE		
	2250.00	0.00	0.1000		
S	11525.00	927.50	0.1500	S	
I	39900.00	5183.75	0.2500	I	
N	93400.00	18558.75	0.2800	N	
G	192400.00	46278.75	0.3300	G	
L	415600.00	119934.75	0.3500	L	
E	417300.00	120529.75	0.3960	E	
	9999999.99	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		

F-FIND, N-NEXT, A-ADD, C-CHG, P-PRT, T-DATA, S-SNGL, M-MRD, H-HOH, E-END

Reference: [Notice 1036 - Early Release Copies of the 2016 Percentage Method Tables for Income Tax Withholding, \(Rev December 2015\)](#)

N.B.: The above applies to both the Single and Head of Household tables of the federal (US) tax data record.

# 2016 Federal Tax Changes Head of Household Screen

PR920		Compusource Corporation TAX DATA FILE MAINTENANCE		1/01/16	
LOCALITY #:		US		NAME: FEDERAL-2016	
	LOWER WAGE LIMIT	BASE	W/H RATE		
	2250.00	0.00	0.1000		
H	11525.00	927.50	0.1500	H	
E	39900.00	5183.75	0.2500	E	
A	93400.00	18558.75	0.2800	A	
D	192400.00	46278.75	0.3300	D	
	415600.00	119934.75	0.3500		
O	417300.00	120529.75	0.3960	O	
F	9999999.99	0.00	0.0000	F	
	0.00	0.00	0.0000		
H	0.00	0.00	0.0000	H	
O	0.00	0.00	0.0000	O	
U	0.00	0.00	0.0000	U	
S	0.00	0.00	0.0000	S	
E	0.00	0.00	0.0000	E	
	0.00	0.00	0.0000		

F-FIND, N-NEXT, A-ADD, C-CHG, P-PRT, T-DATA, S-SNGL, M-MRD, H-HOH, E-END

Reference: [Notice 1036 - Early Release Copies of the 2016 Percentage Method Tables for Income Tax Withholding, \(Rev December 2015\)](#)

N.B.: The above applies to both the Single and Head of Household tables of the federal (US) tax data record.

# 2016 Federal Tax Changes Married Screen

PR920		Compusource Corporation TAX DATA FILE MAINTENANCE		1/01/16	
LOCALITY #: US		NAME: FEDERAL-2016			
	LOWER WAGE LIMIT	BASE	W/H RATE		
	8550.00	0.00	0.1000		
M	27100.00	1855.00	0.1500	M	
A	83850.00	10367.50	0.2500	A	
R	160450.00	29517.50	0.2800	R	
R	240000.00	51791.50	0.3300	R	
I	421900.00	111818.50	0.3500	I	
E	475500.00	130578.50	0.3960	E	
D	9999999.99	0.00	0.0000	D	
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		
	0.00	0.00	0.0000		

F-FIND, N-NEXT, A-ADD, C-CHG, P-PRT, T-DATA, S-SNGL, M-MRD, H-HOH, E-END

Reference: [Notice 1036 - Early Release Copies of the 2016 Percentage Method Tables for Income Tax Withholding](#).  
(Rev December 2015)

# 2016 Federal Tax Changes

## Advance Payment of Earned Income Credit (EIC)

**Advance payment of earned income credit (EIC):** Please note that the option of receiving advance payroll payments of EIC **expired December 31, 2010**. Individuals eligible for EIC in 2015 may still claim the credit when they file their 2015 federal income tax return.

Please refer to the [IRS EITC \(Earned Income Tax Credit\) Home page](#) or the [Earned Income Tax Credit, Questions and Answers](#) page for more information.

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Reference: *Notice 1036*, Department of the Treasury, Internal Revenue Service, Rev December 2010.