Classic Tax Rate and WRS Rate Changes – 2016

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Federal Tax Rates

Loading the Federal tax rates is a two-step process. First, you need to enter the new federal Social Security rates. Then, you need to enter the new federal withholding tax rates.

The government has determined the following limits for 2016:

- Social Security wage base increases to $118,500.
- The contribution limit for flex spending accounts (FSA) remains at $2,550 for single or married filing separately and $5,100 for married filing jointly
- The contribution limit for health savings accounts (HSA) increases to $3,350 for individual coverage and to $6,750 for family coverage
- The catch-up limit for health savings accounts (HAS) remains at $1,000
- The contribution limit for 401(k), 403(b) and 457 plans remains at $18,000
- The catch-up limit for 401(k), 403(b) and 457 plans remains at $6,000
- The contribution limit for to an Individual Retirement Arrangement (IRA) remains at $5,500

In addition, the employee rate for Social Security remains at 6.2 percent on wages paid beginning January 1, 2016.

Please adjust your limits and withholding percentages accordingly.

Step 1 – Enter Changes for Social Security Limits

The Social Security limits have not changed. You may follow these steps to verify the proper limits are entered.

1. Open **Classic Payroll | Maintenance | Pay Code**.

2. Select the **Social Security Pay code** in use at your site.

3. Click the **General 2** tab.

4. Verify the **Maximum Wage Limit** for 2016 of **118,500.00**.

5. Click the **Pay Periods** tab.

6. Verify the **Amt-Rate-%** is **-6.20%** on the **Pay Check** side and **6.20%** on the **Benefits** side. Note: If the amount on the **Pay Check** side needs to be changed, enter a positive 6.20%. The system will change it to a negative.

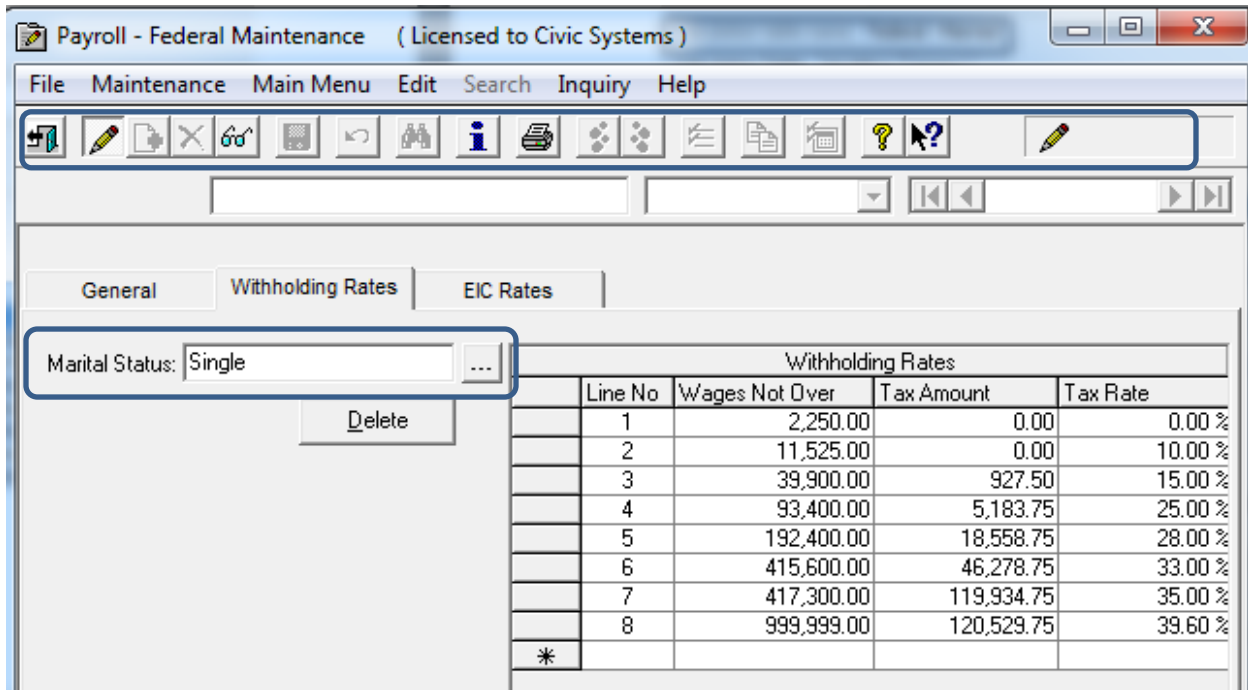## Step 2 – Enter Changes for New Federal Withholding Rates

1. Open **Classic Payroll | Maintenance | Federal**.

2. Change the **FWT Exemption Amount** to **$4,050.00**.
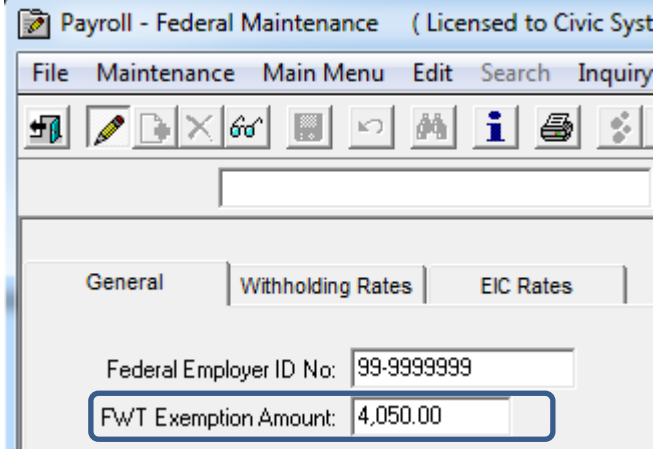
3. Click on the **Withholding Rates** tab.

4. Click on the **Ellipsis** button .

5. Select **Married**.

6. Use the amounts, shown in the following screen shot to update the Federal Withholding Rates for the married marital status.

Line No	Wages Not Over	Tax Amount	Tax Rate
1	8,550.00	0.00	0.00 %
2	27,100.00	0.00	10.00 %
3	83,850.00	1,855.00	15.00 %
4	160,450.00	10,367.50	25.00 %
5	240,000.00	29,517.50	28.00 %
6	421,900.00	51,791.50	33.00 %
7	475,500.00	111,818.50	35.00 %
8	999,999.00	130,578.50	39.60 %
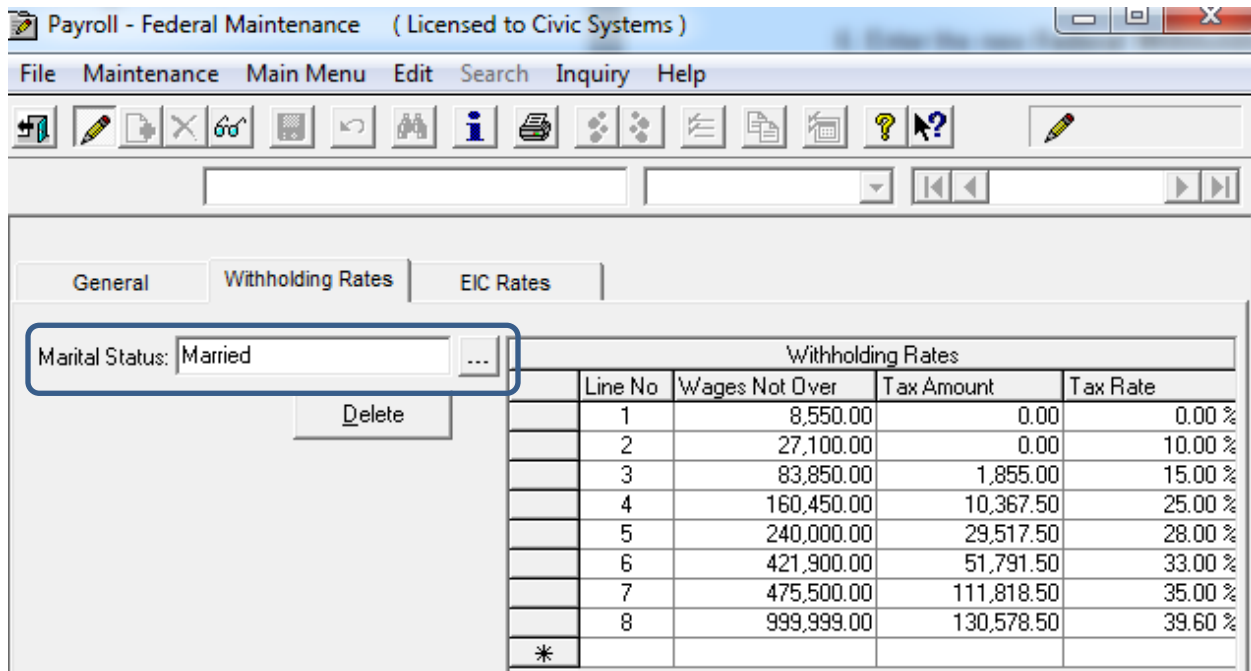
7. Click on the **Ellipsis** button ... .

8. Select **Single**.

9. Use the amounts, shown in the following screen shot to update the Federal Withholding Rates for the single marital status.

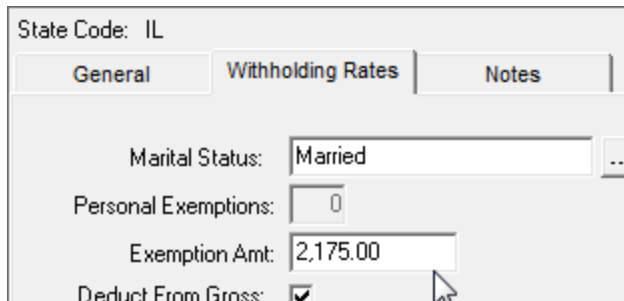| Line No	Wages Not Over	Tax Amount	Tax Rate
1	2,250.00	0.00	0.00 %
2	11,525.00	0.00	10.00 %
3	39,900.00	927.50	15.00 %
4	93,400.00	5,183.75	25.00 %
5	192,400.00	18,558.75	28.00 %
6	415,600.00	46,278.75	33.00 %
7	417,300.00	119,934.75	35.00 %
8	999,999.00	120,529.75	39.60 %

10. Click **Close** ...

State Tax Rates

New state withholding tax rates may be in effect for your state. These new rates should be entered before your first payroll in 2016.

Illinois

Illinois' **Exemption Amount** has changed from $2,150 to $2,175. Follow these steps to make this change.

1. Open the **Payroll** module.

2. Go to **Maintenance | State**.

3. Type "IL" in the **State Code** field.

4. Click on the **Withholding Rates** tab.

5. Make sure that "Married" is the selected **Marital Status**. If not, click on the **Ellipsis** button [...] and select "Married".
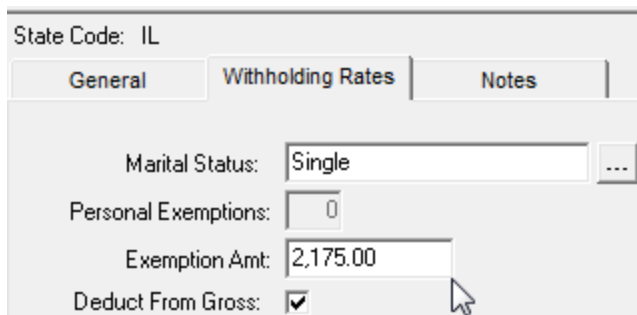
6. Change the **Exemption Amt** from $2,150.00 to **$2,175.00**.

7. Click the **Ellipsis** button [...] next to the **Marital Status** field.

8. Select "Single".

9. Change the **Exemption Amt** from $2,150.00 to **$2,175.00**.

10. Click **Close** The changes will be saved

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Indiana

Per our research, it does not appear that Indiana has any tax rate changes for 2016.

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Iowa

Per our research, it does not appear that Iowa has any tax rate changes for 2016.

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Minnesota

Minnesota's state tax rate has changed for 2016 and is effective January 1, 2016. Click here for more information regarding that change.

1. Open the **Payroll** module.

2. Go to **Maintenance | State**.

3. Type "MN" in the **State Code** field.

4. Click on the **Withholding Rates** tab.

5. Make sure that "Married" is the selected **Marital Status**. If not, click on the **Ellipsis** button
and select "Married".

6. Change the **Exemption Amt** from $4,000.00 to **$4,050.00**.

7. Enter the information into the table as shown below for "Married".

8. Click the **Ellipsis** button [...] next to the **Marital Status** field.

9. Select "Single".

10. Change the **Exemption Amt** from $4,000 to **$4,050**.

11. Enter the information into the table as show below for "Single".

12. Click **Close**. The changes will be saved.

Michigan

Per our research, it does not appear that Michigan has any tax rate changes for 2016.

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Ohio

Per our research, it does not appear that Ohio has any tax rate changes for 2016.

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Wisconsin

Per our research, it does not appear that Wisconsin has any tax rate changes for 2016.

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Wisconsin Retirement System Rates

Your community may have new WRS rates. These new rates should be entered before your first payroll in 2016. Visit the following website and select your community to confirm your WRS rates -

http://etfonline.wi.gov/ETFCalculatorWeb/etf/internet/employer/ETFemployerrates.jsp.

Most communities' rates have changed to the following. As stated above, use the website to verify these rates are correct for your community.

General

Employee Required – 6.60%

Employer Required – 6.60%

Elected

Employee Required – 6.60%

Employer Required – 6.60%

Protective with Social Security

Employee Required – 6.60%

Employer Required – 9.49%

Protective without Social Security

Employee Required – 6.60%

Employer Required – 13.29%

To change the rates, do this:

1. Open **Classic Payroll > Maintenance > Pay Code**.

2. Select the appropriate **WRS pay code** in use at your site.

3. Click on the **Pay Periods** tab.

4. Change the **Amt-Rate-%** to the appropriate rate on the **Pay Check** side of the screen.

5. Change the **Amt-Rate-%** to the appropriate rate on the **Benefits** side of the screen.

6. Repeat steps 2 – 5 to change the other WRS pay codes.

7. Click **Close** when finished.

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Congratulations!

You have completed the Payroll Year-end Closing! The Payroll system is now ready for you to enter payroll for the new year.

Useful Websites

Listed below are links to sites you can find helpful and often important information.

IRS – general links to forms, publications, and general information.
www.irs.gov
IRS Business – Employer information
http://www.irs.gov/businesses/index.html?navmenu=menu1
Social Security Administration Business Services:
http://www.socialsecurity.gov/pgm/business.htm
SSA – Payroll Year End Balancing
http://www.socialsecurity.gov/employer/recon/recon.htm

STATE WEBSITES
Illinois Department of Revenue
http://www.revenue.state.il.us/index.htm#t=tab1
Iowa Department of Revenue
http://www.iowa.gov/tax/index.html
Minnesota Department of Revenue
http://taxes.state.mn.us/Pages/index.aspx
Michigan Department of Treasury
http://www.michigan.gov/treasury/
Missouri Department of Revenue
http://dor.mo.gov/
Ohio Department of Taxation
http://tax.ohio.gov/channels/other/business.stm
Wisconsin Department of Revenue
http://www.revenue.wi.gov/
Wisconsin Retirement Rates:
http://etfonline.wi.gov/ETFCalculatorWeb/etf/internet/employer/ETFemployerrates.jsp