

# **Payroll Changes for Calendar Year 2011**

This notice is to inform you of multiple changes that will have an impact on your take home pay in Calendar Year 2011. It is important to note that there will be two pay dates within January (01/7/2011 & 01/21/2011) and some of the changes will take effect in the second pay period due to the payment cycle.

## **Changes to expect in the pay check dated January 7, 2011**

### ***Employee Social Security Tax (FICA) Reduced to 4.2%***

Employees were scheduled to pay a 6.2% Social Security tax on all wages earned up to \$106,800. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provides a payroll/self-employment tax holiday during 2011 of two percentage points. Therefore, employees will pay only a 4.2% Social Security tax on wages up to \$106,800.

This will *decrease* the amount of Social Security taxes withheld. The FICA-OASDI line on your pay stub will reflect this change.

### ***New Federal Withholding Table***

A notable change in the 2011 table is the expiration of the Making Work Pay Credit. The Making Work Pay Credit of the American Recovery and Reinvestment Act provided a refundable tax credit of up to \$400 for working individuals and up to \$800 for married taxpayers filing joint returns in 2009 and 2010. This credit reduced the amount of federal income tax withheld for eligible tax payers.

For most State workers, the expiration of the credit will *increase* federal taxes withheld by approximately \$8 to \$15 dollars per week depending on filing status. The FED W/HOLD TAX line on your pay stub will reflect this change.

### ***Revision of Rhode Island Personal Income Tax Rates***

Rhode Island withholding rates, brackets and withholding allowances have been revised. This revision will expand the income tax brackets, lower the top marginal income tax rate from 9.9% to 5.99 % and eliminate the use of itemized deductions.

The effect of the revised personal income tax rates on your pay will depend upon your filing status and income level. An informational document that includes the revised tables and provides answers to frequently asked questions is available at [www.tax.ri.gov](http://www.tax.ri.gov).

The STATE W/HOLD TAX line on your pay stub will reflect this change.

Employees are encouraged to review their current Federal and State withholding exemptions. There are worksheets on the IRS (Federal) Form W-4 and the RI (State) Form W-4 to assist with this review. If you wish to make a change, the completed W-4 form should be submitted to your agency payroll office.

The W-4 forms are available at <http://controller.admin.ri.gov/Forms/index.php>.

## **Changes to expect in the pay check dated January 21, 2011**

### ***General Salary Increase***

For those employees that are subject to a salary increase, the general salary increase is effective on January 2, 2011. This date is the first day of the biweekly period that will be paid on 01/21/2011. Therefore, the total hours worked and associated rate of pay for this pay period will be subject to the 3% increase.

This will *increase* your gross pay. The REGULAR EARNINGS line on your pay stub will reflect this change.

### ***Pay Reduction Day***

This pay period will have the first of four pay reduction days scheduled for Fiscal Year 2011. Each pay reduction day is the equivalent of ten percent of the biweekly salary rate excluding overtime. Please refer to the pay reduction policy located on the Human Resources website at <http://www.hr.ri.gov/policies/> for additional information.

The ADJUSTMENT line on your pay stub will reflect the pay reduction amount.