



Tax Calendar

January 15

Individual taxpayers' final 2013 estimated tax payment is due unless Form 1040 is filed by January 31, 2014, and any tax due is paid with the return.

January 31

Most employers must file Form 941 (Employer's Quarterly Federal Tax Return) to report Medicare, Social Security, and income taxes withheld in the fourth quarter of 2013. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until February 10 to file the return.

Give your employees their copies of Form W-2 for 2013. If an employee agreed to receive Form W-2 electronically, have it posted on the website and notify the employee. Give annual information statements to recipients of certain payments you made during 2013. You can use the appropriate version of Form 1099 or other information return. Form 1099 can be filed electronically with the consent of the recipient.

File Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return] for 2013. If your undeposited tax is \$500 or less, you can either pay it with your return or deposit it. If it is more than \$500, you must deposit it. However, if you deposited the tax for the year in full and on time, you have until February 10 to file the return.

File Form 945 (Annual Return of Withheld Federal Income Tax) for 2013 to report income tax withheld on all non-payroll items, including backup withholding and withholding on pensions, annuities, IRAs,

etc. If your tax liability is less than \$2,500, you can pay it in full with a timely filed return. If you deposited the tax for the year in full and on time, you have until February 10 to file the return. File Form 943 (Employer's Annual Federal Tax Return for Agricultural Employees) to report Social Security and Medicare taxes and withheld income tax for 2013. If your tax liability is less than \$2,500, you can pay it in full with a timely filed return. If you deposited the tax for the year in full and on time, you have until February 10 to file the return.

February 28

The government's copy of Form 1099 series returns (along with the appropriate transmittal form) should be sent in by today. However, if these forms will be filed electronically, the due date is extended to March 31.

The government's copy of Form W-2 series returns (along with the transmittal Form W-3).

Additional 0.9% Medicare Tax

Individuals must pay an additional 0.9% Medicare tax on earned income above certain thresholds. The employee portion of the Medicare tax is increased from 1.45% to 2.35% on wages received in a calendar year in excess of \$200,000 (\$250,000 for married couples filing jointly; \$125,000 for married filing separately). Employers must withhold and remit the increased employee portion of the Medicare tax for each employee whose wages for Medicare tax purposes from the employer are greater than \$200,000.

There is no employer match for this additional Medicare tax. Therefore, the employer's Medicare tax rate continues to be 1.45% on all Medicare



wages. An employee is responsible for paying any of the additional 0.9% Medicare tax that is not withheld by an employer. The additional tax will be reported on the individual's federal income tax return.

Because the additional 0.9% Medicare tax applies at different income levels depending on the employee's marital and filing status, some employees may have the additional Medicare tax withheld when it will not apply to them (e.g., the employee earns more than \$200,000, is married, filing jointly, and total annual compensation for both spouses is \$250,000 or less). In such a situation, the additional tax will be treated as additional income tax withholding that is credited against the total tax liability shown on the individual's income tax return.

Alternatively, an individual's wages may not be greater than \$200,000, but when combined with a spouse's wages, total annual wages exceed the \$250,000 threshold. When a portion of an individual's wages will be subject to the additional tax, but earnings from a particular employer do not exceed the \$200,000 threshold for withholding of the tax by the employer, the employee is responsible for calculating and paying the additional 0.9% Medicare tax. The employee cannot request that the additional 0.9% Medicare tax be withheld from wages that are under the \$200,000 threshold. However, he or she can make quarterly estimated tax payments or submit a new Form W-4 requesting additional income tax withholding that can offset the additional Medicare tax calculated and reported on the employee's personal income tax return.

For self-employed individuals, the effect of the new additional 0.9% Medicare tax is in the form of a higher self-employment (SE) tax. The maximum rate for the Medicare tax component of the SE tax is 3.8% (2.9% + 0.9%). Self-employed individuals should include this additional tax when calculating

estimated tax payments due for the year. Any tax not paid during the year (either through federal income tax withholding from an employer or estimated tax payments) is subject to an underpayment penalty.

The additional 0.9% Medicare tax is not deductible for income tax purposes as part of the SE tax deduction. Also, it is not taken into account in calculating the deduction used for determining the amount of income subject to SE taxes.

Please contact us if you have questions about the additional 0.9% Medicare tax or any other tax compliance or planning issue.

Individual is responsible for paying the additional 0.9% Medicare tax

Josh and Anna are married. Josh's salary is \$180,000, and Anna's wages are \$150,000. Assume they have no other wage or investment income. Their total combined wage income is \$330,000 (\$180,000 + \$150,000). Since this amount is over the \$250,000 threshold, they owe the additional 0.9% Medicare tax on \$80,000 (\$330,000 - \$250,000). The additional tax due is \$720 (\$80,000 × .009). Neither Josh's nor Anna's employer is liable for withholding and remitting the additional tax because neither of them met the \$200,000 wage threshold. Either Josh or Anna (or both) can submit a new Form W-4 to their employer that will result in additional income tax withholding to ensure the \$720 is properly paid during the year. Alternatively, they could make quarterly estimated tax payments. If the amount is not paid until their federal income tax return is filed, they may be responsible for the estimated tax penalty on any underpayment amount (whether the underpayment is actually income taxes or the additional Medicare taxes).