

Payrollnews

JANUARY 2016

Social Security Releases No COLA for 2016

At Data Management Payroll Services, we keep our clients informed. The Social Security Administration (SSA) has announced that “with consumer prices down over the past year” there will be no Cost-of-Living Adjustment (COLA) for 2016.

(CPI-W) from the third quarter of the last year to the third quarter of the current year. If there is no increase, there can be no COLA.

According to the recently published *Social Security Fact Sheet*, and because no COLA was determined, the Social Security taxable wage base remains the same, as well as many pension plan limitations. The numbers for 2016 are as follows:

Taxable Wage Base

After a four-year increase, the maximum amount of earnings subject to the Social Security tax will not increase. Based on average wages, the 2016 taxable wage base is \$118,500.

The maximum Social Security tax payable for employees and employers remains the same at \$7,347, representing the 7.65% combined Social Security tax rate (6.2%) and the Medicare tax rate (1.45%) for 2016.

Self-Employed Taxable Wage Base

The tax rate for self-employed individuals also remains unchanged for 2016 at 15.3% (12.4% for Social Security and 2.9% for Medicare), with the same cap on social security tax for

the self-employed at \$14,694.

401(k) Contributions

The 401(k) contribution limit remains unchanged at \$18,000 in 2016 for 401(k) and 403(b) plans under 402(g).

Catch-up Contributions

A catch-up contribution allows plan participants, that are 50 or over, to make additional “catch-up” pre-tax contributions before the end of the taxable year. The 401(k) catch-up limit for 2016 remains the same at \$6,000.

Defined Benefit Plan

The maximum annual pension benefit limitation under a defined benefit plan remains the same at \$210,000, effective January 1, 2016.

Defined Contribution Plan

The limitation for defined contribution plans, under Section 415(c)(1)(A) stays at \$53,000 for 2016.

Highly Compensated Employees

The limitation used to define a highly compensated employee (HCE) will not increase, and remains at \$120,000 for 2016.

Simple Plan Contribution

The limitation for contributions to SIMPLE plan

continued on next page



The official measure used by the SSA in determining COLA is based on the percentage increase in the Consumer Price Index

2016 BANK HOLIDAYS

According to the Federal Reserve, here are the recognized bank holidays in 2016.

| | |
|-----------------------------------|-----------------------|
| New Year's Day | Friday, January 1 |
| Martin Luther King Jr.'s Birthday | Monday, January 18 |
| Washington's Birthday | Monday, February 15 |
| Memorial Day | Monday, May 30 |
| Independence Day | Monday, July 4 |
| Labor Day | Monday, September 5 |
| Columbus Day | Monday, October 10 |
| Veterans Day | Friday, November 11 |
| Thanksgiving Day | Thursday, November 24 |
| Christmas Day | Monday, December 26 |

No COLA for 2016

retirement accounts remains at \$12,500 for 2016.

IRA Contributions & Catch-up Limits

The limitations on annual contributions to an Individual Retirement Arrangement (IRA) remain unchanged at \$5,500, along with the IRA catch-up contribution at \$1,000.

DMPS wants to help your company save time and money in 2016 ... even the IRS agrees that outsourcing your payroll processing is the best idea! We'll make sure you never miss an important tax date, and keep you up-to-date on laws and announcements that affect your business and your bottom line.

Give your business the gift of more time and money with **Data Management Payroll Services**. Check out our complete menu of services – and sign up today!

Sources: www.irs.gov, www.socialsecurity.gov and *Cost-of-Living Adjustments Fact Sheet*
www.socialsecurity.gov/news/cola/docs/factsheet.htm.

Ring in the New Year with DMPS! Payroll Processing Services & So Much More

- ✓ Check Signing & Stuffing
- ✓ Data Transfers
- ✓ Direct Deposit / EFT
- ✓ Employee Earnings Records
- ✓ 401(k) Reporting
- ✓ FOC / Garnishments
- ✓ General Ledger
- ✓ HR – ACA Reporting
- ✓ HR – Applicant Tracking
- ✓ HR – On-Boarding
- ✓ HR – Personnel Records
- ✓ HR – Employee Self-Service
- ✓ Online Payroll Processing
- ✓ Paperless Payroll
- ✓ Payroll Control™
- ✓ Tax Filing
- ✓ Time & Attendance
- ✓ Unemployment Claims
- ✓ Vacation / Sick Accruals
- ✓ W-2 Electronic Filing
- ✓ Workers' Comp Reporting

Through *Payroll News*, Data Management Payroll Services may provide general information on legal developments related to payroll administration. If such developments appear relevant to your specific situation, you should discuss them with your professional advisor before taking any action.