

# Payrollnews

JANUARY 2018

## Social Security Releases COLA Increases for 2018

**A**t Data Management Payroll Services, we keep you informed. The Social Security Administration (SSA) has announced the Cost-of-Living Adjustments (COLA). The Social Security taxable wage base is up \$1,500 from 2017, while many of the numbers remain the same for 2018.

Favorable changes to the Consumer Price Index (CPI-W) from the third quarter of 2016 to the third quarter of 2017 mean an increase in the cost-of-living adjustments (COLA). According to the recently published *Social Security Fact Sheet*, a **COLA was determined with an increase for 2018.**

Some of the pension plan limitations will increase, and some will remain the same. Recently released numbers for 2018 are as follows:

### Taxable Wage Base

For 2018, the maximum amount of earnings subject to the Social Security tax will increase. Based on the increase of average wages, the new 2018 taxable wage base will be \$128,400, up \$1,200 from 2017.

The maximum Social Security tax payable for employees and employers in 2018 has risen to \$7,960.08, an increase of \$73.68 from the 2017 maximum of \$7,886.40. The combined Social

Security tax rate (6.2%) and the Medicare tax rate (1.45%) remains the same at 7.65% for 2018.

### Self-Employed Taxable Wage Base

The tax rate for self-employed individuals also remains unchanged for 2018 at 15.3% (12.4% for Social Security and 2.9% for Medicare).

### 2018 Standard Mileage Rates

The IRS has announced the 2018 optional standard mileage rates for business miles driven, effective January 1, 2018. The standard mileage rate is for the use of a car, van, pickup or panel truck will be 54.5 cents per mile (up from 53.5 cents in 2017).

Reimbursement for miles driven for medical or moving purposes is 18 cents per mile, and 14 cents per mile for miles driven in service for charitable purposes.

### 401(k) Contributions

The contribution limits for employees who participate in 401(k), 403(b), and most 457 plans, and the federal government's Thrift Savings Plan increases \$500 in 2018, to \$18,500.

### Catch-up Contributions

A catch-up contribution allows

plan participants, that are age 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 2018 remains unchanged for the third year at \$6,000.

### Defined Benefit Plan

The maximum annual pension benefit limitation under a defined benefit plan is up \$5,000 from 2017, increased to \$220,000, effective January 1, 2018.

### Defined Contribution Plan

The limitation for defined contribution plans, under Section 415(c)(1)(A) has increased by \$1,000 for the second year in a row – from \$54,000 in 2017 – up to \$55,000 for 2018.

### Highly Compensated & Key Employees

Again this year, the annual threshold used to define a highly compensated employee (HCE) will not increase, and remains the same for 2018 at \$120,000; key employees also remain the same at \$175,000 annually.

### Simple Plan Contribution

Unchanged for four years, the limitation for contributions to SIMPLE plan retirement accounts remains the same

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## Social Security...

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for 2018 at \$12,500.

### IRA Contributions & Catch-up Limits

The limitations on annual contributions to an Individual Retirement Arrangement (IRA) remain unchanged, for the sixth year in a row, at \$5,500 for 2018. The IRA catch-up contribution limit will be \$1,000 in 2018, also the same as last year.

For more information and details about the COLA numbers, visit the Social Security Administration's website at [www.ssa.gov](http://www.ssa.gov).

DM Payroll Services wants to help your company save time and money in 2018 ... 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 we'll keep you up-to-date on laws and changes that affect your business and your bottom line.

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Sources: [www.irs.gov](http://www.irs.gov), [www.ssa.gov](http://www.ssa.gov) and <https://www.irs.gov/newsroom/standard-mileage-rates-for-2018-up-from-rates-for-2017>.



## 2018 BANK HOLIDAYS

*According to the Federal Reserve, here are the recognized bank holidays in 2018.*

<b>New Year's Day</b>	<b>Monday, January 1</b>
<b>Birthday of Martin Luther King Jr.</b>	<b>Monday, January 15</b>
<b>Washington's Birthday</b>	<b>Monday, February 19</b>
<b>Memorial Day</b>	<b>Monday, May 28</b>
<b>Independence Day</b>	<b>Wednesday, July 4</b>
<b>Labor Day</b>	<b>Monday, September 3</b>
<b>Columbus Day</b>	<b>Monday, October 8</b>
<b>Veterans Day</b>	<b>Monday, November 12</b>
<b>Thanksgiving Day</b>	<b>Thursday, November 22</b>
<b>Christmas Day</b>	<b>Tuesday, December 25</b>

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