



HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North American Network, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

December 9, 2008

Dear Client:

We would like to take this opportunity to make you aware of certain changes concerning 2009 payroll taxes. The maximum wage base and tax rates for each portion of the FICA tax are as follows:

	<u>Maximum Wage Base</u>	<u>Tax Rate</u>
MHI (Medicare Tax)	No limit	1.45%
OASDI (Social Security)	\$ 106,800	<u>6.20%</u>
Total FICA Tax		<u>7.65%</u>

As in the past, the employer and employee will each pay the tax up to the respective maximum wage base, if any. The rates have remained the same, but the total tax to be paid in 2009 may increase due to the wage base increase.

Other payroll tax laws which you should be aware of are as follows:

1. Employer federal unemployment tax (FUTA) remains unchanged from 2009. The current rate is .8% (.008) and the present maximum taxable wage level is \$7,000. Employers are not required to make FUTA deposits until the accumulated tax liability exceeds \$500. Note that the IRS will no longer use Form 940-EZ.
2. Employers with annual liability of \$1,000 or less for Social Security and Medicare taxes and income tax withholding will be notified by the IRS to use Form 944.
3. Form 8919, Uncollected Social Security and Medicare Tax on Wages, will allow taxpayers improperly treated as independent contractors to pay Social Security and Medicare taxes. The form and additional information are available on www.irs.gov.
4. Employer state unemployment tax remains capped at a maximum taxable wage level of \$8,000. You will be notified of any change in your employer's contribution rate by the Department of Labor and Industry during the months of January or February.
5. Employee state unemployment tax (SUTA) remains unchanged for the 2009 tax year. The rate is .06% for all wages.
6. The Pennsylvania state income tax rate for 2009 remains unchanged at 3.07%.

If our office renders payroll services on your behalf, the withholding changes will be automatically instituted.

Herbein + Company, Inc.

Greensburg, PA
(724) 834-7053
Greensburg@herbein.com

Pittsburgh, PA
(412) 392-2345
Pittsburgh@herbein.com

Reading, PA
(610) 378-1175
reading@herbein.com



HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North American Network, Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

Note that Forms 1099 are required to be filed to report any interest, dividend, rent, attorney fee and non-employee compensation payments made during the 2008 tax year if they exceed \$10 per payee for interest and dividends or \$600 per payee for other payments. When filing your 1099s for the 2008 tax year, you must include the telephone number of the contact person who will be responsible for answering questions relating to the completion of such forms.

Employers filing more than 249 forms are required to file Forms W-2, W-2c, W-3c, 1099 and 1042-S electronically. If you are currently using the IRS Filing Information Returns Electronically System ("FIRE"), please visit <http://fire.irs.gov> for more information.

With regard to filing Form W-2 with the Social Security Administration, applications or authorizations are not required to file the first Form W-2 electronically; rather, a business filing electronically for the first time is required to register to use the SSA Business Service Online ("BSO") at <http://www.socialsecurity.gov/bsowelcome.htm>.

With respect to retirement plan contributions, the 401(k) contributions limit has changed for the 2009 tax year. The maximum 401(k) contributions will be \$16,500 for regular and \$5,500 for catch-up contributions. The maximum IRA contribution remains unchanged for the 2009 tax year at \$6,000 (\$5,000 and \$1,000 catch-up contributions). Catch-up contributions result from the 2001 tax law changes and are only available to eligible individuals who are age 50 or older by the end of the calendar year.

The IRS recently announced that the mileage rate allowance for business use of a vehicle in 2009 has changed to 55 cents. This rate is used to calculate the tax deduction for business travel as an alternative to deducting actual costs of maintaining an automobile. The rate also is used by many companies to reimburse workers who use their own cars on company business.

If you should have any questions concerning these requirements and/or changes, please do not hesitate to contact our office.

Sincerely,

Herbein + Company, Inc.

Herbein + Company, Inc.

Herbein + Company, Inc.

Greensburg, PA
(724) 834-7053
Greensburg@herbein.com

Pittsburgh, PA
(412) 392-2345
Pittsburgh@herbein.com

Reading, PA
(610) 378-1175
reading@herbein.com