

Social Security Administration

Internal Revenue Service

Reporter

Inside this Issue...

2009 Changes in IRS Forms
Page 2

Home Foreclosure and Debt Cancellation
Page 3

Employer Responsibilities: Outsourcing Payroll
Page 3

SBA Disaster Loans
Page 3

Reminders for Successful Year-End Processing
Page 4

Help Your Employees Prepare for Tax Time
Page 4

Social Security Business Services Online Reminders
Page 5

Many Employees Overlooking Valuable EITC Tax Credit
Page 5

IRS News
Page 6

Winter 2008

A Newsletter for Employers

Social Security Announces Wage Base Increase for 2009

Social Security has announced the increase for 2009 in the maximum amount of earnings subject to the Social Security tax. The Social Security wage base will be \$106,800, up from \$102,000 in 2008. Beginning January 1, 2009, employers should withhold Social Security taxes (6.2 percent) from employees' wages up to \$106,800 and withhold the Medicare tax (1.45 percent) on all wages. Employers must match the tax payments withheld from employees' wages.

In 2009, employees will earn one Social Security credit for each \$1,090 in earnings, up to a maximum of four credits for the year. And the full retirement age for people born in 1943 is now 66. However, when employees reach full retirement age, they can work and receive unreduced Social Security retirement benefits. Social Security also announced that benefit amounts will increase in 2009 by 5.8 percent.

If your employees are less than full retirement age when

they begin to receive benefits, they can earn more in 2009 without their benefits being reduced as follows:

1. Social Security beneficiaries who haven't reached full retirement age can earn \$14,160 before their benefits are reduced. For every \$2 a person earns over \$14,160 before the year of his or her full retirement age, \$1 is withheld from benefits.
2. In the year employees reach full retirement age, \$1 in benefits is deducted for each \$3 they earn above \$37,680 until the month the employees reach full retirement age.
3. Benefits are not reduced when employees are full retirement age or older, no matter how much they earn. Employees receiving Social Security disability benefits must report all wages, no matter how little they earn. ■

Learn More Online

- Social Security press release at www.socialsecurity.gov

Important Reminders for Businesses about Their Information Reporting and Backup Withholding Responsibilities

Businesses should make sure they understand their information reporting and backup withholding responsibilities.

The IRS conducts activities to ensure voluntary compliance regarding the accuracy and timeliness of a business's information reporting and backup withholding activities.

Businesses often make payments to both employees and non-employees (independent contractors). When making payments to non-employees, called reportable payments, the Internal Revenue Code (IRC) generally requires the businesses to report these payments to the Internal Revenue Service (IRS) if the payments equal \$600 or more during the calendar year.

Backup Withholding

For 2008, payers of reportable payments must withhold 28% for federal income tax (called backup withholding) from such payments if the payee fails to provide the payer with a Taxpayer Identification Number (TIN), or provides a TIN that is obviously incorrect (e.g., wrong number of digits or includes an alpha character).

Backup withholding is also required if the payer is notified by the IRS that the TIN provided by the payee is incorrect. Payers must report the withheld federal income tax (backup

continued on page 3