

January 3, 2012

Memo to: Stephen Kenney
James Radulski
Imad Dayya
Nelly Abu Zaki
Mufid Dagher
Amal Hamadeh
Eileen O'Connor
Diana Hahn

From: Susan M. Kinal

Following are the updated limits and/or amounts relative to payroll processing for **2012**:

- 1) The foreign earned income exclusion is increased to **\$95,100**.
- 2) The social security tax rate for employees remains at 4.2% (at least for the first two months of 2012). The social security tax rate for employers remains at **6.2%**. The wage ceiling for both employees and employers increases to **\$110,100**. Therefore, the maximum social security tax to be withheld from **employees** (subject to increase) is **\$4,624.20** and the maximum social security tax to be paid by **employers** is **\$6,826.20**.
- 3) The Medicare tax rate continues at **1.45%** with no wage ceiling.
- 4) The withholding allowance per exemption for a monthly payroll is **\$316.67**.
- 5) The employer transit benefit for 2012 decreases to **\$125 per month**.
- 6) The maximum retirement plan salary deferral for 2012 is generally **\$17,000**. (There is an exception for employees who will reach age 50 by 12/31/12. They may defer an **additional \$5,500** for 2012.)
- 7) The maximum retirement plan employer's share for 2012 is **\$25,000**. The maximum compensation limit remains at **\$250,000**.
- 8) The maximum combined retirement plan amount – including employee reduction, employee deduction and employer contribution – for 2012 is **\$50,000**. This is calculated as the lesser of: a) 100% of compensation; or b) \$50,000. The catch up contribution of \$5,500 for individuals over age 50 is **NOT** included in this limit.

Let me know if you have any questions.