

2011 IRS PAYROLL TAX CHANGES

University of Kentucky employees may see a difference in the taxes withheld from their pay in 2011 due to changes in the federal tax laws.

1. The Making Work Pay Tax Credit, which was part of the American Recovery and Reinvestment Act signed into law by President Obama in February 2009, expired as of December 31, 2010. With the expiration of this Act employees may see an increase in the amount of federal income tax withheld.
2. The Internal Revenue Service Withholding Allowance and the wage bracket tables for pay check calculation has changed for 2011. See pages 35 through 37 of the attached link: <http://www.irs.gov/pub/irs-pdf/p15.pdf>
3. Advance Earned Income Credit has been rescinded and will no longer be reflected on pay checks. Employees eligible for Earned Income Credit in 2011 will still be able to claim the credit upon filing their 2011 1040 series tax form.
4. The employee portion of Social Security tax has been reduced from 6.2% to 4.2% for 2011. The Social Security tax break will have no effect on the worker's potential Social Security benefits, as they will be based on their life time income. The employer paid portion of Social Security tax will remain at 6.2%.
5. The surcharge wage bracket table was removed from the federal income tax calculation for Non-Resident Aliens. Also, the additional amount added to Non-Resident Alien wages has increased for 2011. See page 17 of the attached link: <http://www.irs.gov/pub/irs-pdf/p15.pdf>