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Your Payroll Experts

December 1, 2007

ACCOUNTANTS UPDATE

- **New – Local Services Tax (LST) replaces Emergency and Municipal Service Tax (EMST) starting in 2008**

For employers with Pennsylvania locations, the Emergency and Municipal Service Tax is renamed the Local Services Tax. The one time EMST tax of up to \$52.00 is to be deducted pro rata over the pay periods in the year. An employee who earns less than \$12,000 per year within the political subdivision where he or she works is exempt from the LST, and can file an up-front exemption certificate with the municipality and the employer. *Employers must provide an exemption form to all new employees and make it available to all employees* (available at www.adcomputer.com/account in **A D Computer Forms**). *If an exemption certificate was filed and that employee is paid \$12,000 or more, the employer must calculate the amount of the missed deductions and catch-up the deductions on the following pay.* For detailed information see **News, Local Services Tax FAQ's** at www.adcomputer.com/account.

- **W-2 Code Y Reporting of 409A Deferrals not required for 2007**

- **.06% PA UC Tax reduced rate on employee wages for 2008**

- **Pension plan limitations for Year 2008:**

Salary Deferral (pretax) Limits

401(k) / 403(b) / 501(c)(18)(D)	\$ 15,500.00
457(b) State and Local Governments and tax exempt organizations	15,500.00
Catch-up Contributions	5,000.00
408(p)(2)(E) Simple Retirement Accounts	10,500.00
Catch-up Contributions for Simple Plans	2,500.00

Section 415 Annual Benefits Limits

Defined contribution plans	46,000.00
Defined benefit plans	185,000.00

Compensation

Definition of highly compensated employee	105,000.00
Key employee in a "top-heavy" plan	150,000.00
Annual compensation limit for qualified plans	230,000.00

- **Standard mileage rate for 2008 increases to 50.5 cents per mile**

- **Supplemental withholding rate for 2008 remains at 25.0%, 35.0% for supplemental wages exceeding \$1,000,000. Backup withholding rate for 2008 remains at 28.0%**

- **For employers in Pennsylvania and the surrounding states the minimum wage changes are as follows:**

<u>State</u>	<u>Effective Date</u>	<u>Minimum Wage</u>	<u>Tip Minimum Cash Wage</u>	<u>Tip Credit</u>
Delaware	01/01/08	7.15	2.23	4.92
New Jersey	10/01/06	7.15	2.13	5.02
New York	01/01/07	7.15	4.60	2.55
Pennsylvania	07/01/07	7.15	2.83	4.32
Pennsylvania – Employers with 10 or fewer full-time employees	07/01/07	6.65	2.83	3.82
	07/01/08	7.15	2.83	4.32
Federal Minimum	07/24/07	5.85	2.13	3.72
	07/24/08	6.55	2.13	4.42

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