New 2017 Limits for Payroll Taxes, Employee Fringe Benefits and Employer Sponsored Retirement Plans

Payroll Taxes

The Social Security withholding tax rate for 2017 is 6.2% on a wage base of $127,200. For employees making at least $127,200, the total amount of Social Security Tax withheld from their paycheck will be $7,886.40.

The Medicare withholding tax rate for 2017 is 1.45% on all wages without limitation. However, an additional 0.9% tax will be imposed on taxpayers with income in excess of the threshold amount of $250,000 for joint filers, $125,000 for married taxpayers filing a separate return and $200,000 in all other cases. As a result, the Medicare tax rate will be 1.45% for wages up to the applicable threshold amount and 2.35% for wages above the threshold amount. An employer must withhold additional Medicare tax from wages it pays to an individual in excess of $200,000 in a calendar year, without regard to the individual’s filing status or wages paid by another employer.

Fringe Benefits

Effective January 1, 2017, the standard mileage rate for computing the deductible cost of operating a car (including vans, pickups, or panel trucks) for business use is 53.5 cents per mile. The rate for use of an auto for moving and medical expenses is 17 cents per mile and the rate for use of an auto for charitable purposes is 14 cents per mile.

For 2017, the limit on the amount that may be excluded from an employee’s income for qualified parking benefits is $255 per month. The combined monthly limit for transit passes and vanpooling expenses for 2017 is also $255 per month.

The maximum cumulative amount of qualified adoption expenses for a child that can be excluded from an employee’s gross income in connection with a written adoption assistance plan (whether or not the child has special needs) is $13,570 in 2017. This exclusion is phased out ratably for taxpayers with adjusted gross income over $203,540 and entirely eliminated for taxpayers with AGI of $243,540 or more.

In 2017, the maximum aggregate annual contribution that can be made to a health savings account is $3,400 for self-only coverage and $6,750 for family coverage. If a taxpayer is age 55 or older, the maximum contribution increases by $1,000 for both self-only and family coverage.
Employer Retirement Plans

The maximum amount an employee can contribute (elective deferrals) to a 401(k) plan for 2017 remains unchanged at $18,000. The limit applies to 403(b), 457(b), and SARSEP plans. If the employee is age 50 or older, he or she can also make catch-up contributions of up to $6,000 to these plans in 2017. The amount an employee can contribute to a SIMPLE IRA or SIMPLE 401(k) plan in 2017 remains unchanged at $12,500. If the employee is age 50 or older, he or she can also make catch-up contributions of up to $3,000 to these plans in 2017.

Salary-deferral contribution limits apply on an individual (per-person) basis, rather than on a per-plan basis. This means that regardless of the number of plans an employee participates in, they cannot make deferral contributions on their salary of more than $18,000 (plus the age 50 or older catch-up amount of $6,000). The rules for what is referred to as the annual-addition amount are different, as they apply on a per-employer basis. The annual addition rule limits the additions to a participant's account (the total of elective deferrals, employer match, employer nonelective contributions, and allocation of forfeitures) under a defined-contribution plan to 100% of the participant's compensation or $54,000 ($60,000 including catch-up contributions), whichever is less. Please be aware of common ownership rules which can limit the annual-addition amount.

About Us
GMS Surgent is a mid-sized, full service, certified public accounting and advisory firm serving business and individual clients located primarily (but not limited to) the Greater Philadelphia area. We warmly invite you to click around our website to learn a little more about our firm, our clients and the ways in which our services could benefit you.

"Personal Attention – Valuable Results", is the principal component of our mission statement. It highlights the GMS Surgent commitment to forging strong relationships and ensuring constructive communication while earning consistently effective results for our clients. It plays an essential role throughout every aspect of our firm, guides our actions and acts as a benchmark for the services we provide.

This information is of a general nature. It may omit many details and special rules and is current only as of its published date. Please contact us for more information and how it pertains to your specific tax or financial situation.