



December 22, 2010

www.mcvpr.com**TAX ALERT*****Employee Social Security Tax Withholding Rate Reduced for 2011***

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creations Act of 2010 (the "Act"). The Act reduces for calendar year 2011 the employee rate of the Social Security tax from 6.2% to 4.2% (the employer's rate remains at 6.2%). Shortly after the enactment of the Act, the United States' Internal Revenue Service ("IRS") released Notice 10361[1] which, provides as follows:

- For calendar year 2011, the employee Social Security tax rate is 4.2%;
 - The employer Social Security tax rate remains unchanged at 6.2%;
 - The social security wage base limit is for calendar year 2011 remains at \$106,800;
 - Employers should implement the 4.2% employee social security tax rate as soon as possible, but not later than January 31, 2011;
 - After implementing the new 4.2% rate, employers should make an offsetting adjustment in a subsequent pay period to correct any overwithholding of the employee's Social Security tax as soon as possible, but not later than March 31, 2011;
 - For calendar year 2011, the Medicare tax rate is 1.45% each for both employees and employers; and
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- There is no wage limit for the Medicare tax.

If you have any questions, you may call the following attorneys, members of our Tax Practice Group:

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