



P.O. Box 942709
Sacramento, CA 94229-2709
888 CalPERS (or **888-225-7377**)
Telecommunications Device for the Deaf
and Hearing Impaired: (916) 795-3240
www.calpers.ca.gov

Date: January 6, 2011
Reference No.:
Circular Letter No.: 200-004-11
Distribution: VI, XI, XII, XVI
Special:

Circular Letter

TO: PUBLIC AGENCIES AND SCHOOL EMPLOYERS WITH SOCIAL SECURITY COVERAGE

SUBJECT: THE TAX RELIEF, UNEMPLOYMENT INSURANCE REAUTHORIZATION, AND JOB CREATION ACT OF 2010

The purpose of this Circular Letter is to inform you of recent legislation that may affect you and your employees.

The California Public Employees' Retirement System (CalPERS) is the State Social Security Administrator for California. As such, we would like to help ensure that you are aware of recent legislation that has a significant impact on payroll deductions for Social Security coverage.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which President Obama signed into law on December 17, 2010, made significant changes that affect employers with Social Security coverage.

Effective January 1, 2011, the employee tax rate for Social Security will be reduced from 6.2% to 4.2%. The employer tax rate for Social Security remains at 6.2%. This reduced Social Security withholding will have no effect on the employee's future Social Security benefits. The Medicare tax rate also remains unchanged at 1.45%. There is no wage base limit for Medicare taxes. Under present law, this change is to remain in effect only through 2011.

For the calendar year 2011, the Maximum Taxable Earnings for Social Security purposes remains \$106,800, as it has been since 2009. More information can be found at www.ssa.gov.

The IRS recognizes that the late enactment of these changes makes it difficult for many employers to quickly update their withholding systems. For that reason, the IRS asks employers to adjust their payroll systems as soon as possible, but not later than January 31, 2011.

For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible but not later than March 31, 2011.

You may refer to Notice 1036 from the Internal Revenue Service, or to IRS bulletin IR-2010-124 dated December 17, 2010. This information can be found at www.irs.gov.

Lori McGartland, Chief
Employer Services Division