Circular Letter

February 28, 2012

TO: ALL CALPERS EMPLOYERS

SUBJECT: THE MIDDLE CLASS TAX RELIEF AND JOB CREATION ACT OF 2012; STATE SOCIAL SECURITY ADMINISTRATOR BULLETIN

The California Public Employees’ Retirement System (CalPERS) is the State Social Security Administrator for California. As such, the purpose of this Circular Letter is to inform you of recent legislation that may affect you and your employees.

Further Extension

The Middle Class Tax Relief and Job Creation Act of 2012 was enacted on February 22, 2012, and extends the lower Social Security tax withholding rate of 4.2% for employees to the end of 2012. The withholding rate for employers remains at 6.2%.

Previously, this reduced employee rate had been extended through February 2012 by the Temporary Payroll Tax Cut Continuation Act of 2011, as described in Circular Letter 200-077-11, dated December 27, 2011.

The lower rate will have no effect on workers’ future Social Security benefits. The reduction in revenues to the Social Security Trust Fund will be made up by transfers from the General Fund.

“Recapture” Provision Repealed

The new law also repeals the 2% “recapture” provision that was part of the Temporary Payroll Tax Cut Continuation Act of 2011, which effectively capped at $18,350 the amount of wages eligible for the payroll tax cut. Therefore, the now-repealed “recapture” tax does not apply.

Additional Information

The Internal Revenue Service (IRS) will issue additional guidance as needed to implement the newly-enacted payroll tax cut. For more information, you may refer to IRS News Bulletin IR-2012-27, dated February 23, 2012, available on the IRS website www.irs.gov, or consult the Social Security Administration website at www.ssa.gov.
New Bulletin

CalPERS’ State Social Security Administrator Program (SSSAP) unit will soon send the first in a continuing series of occasional bulletins about Social Security matters, which will be sent by email to interested subscribers. This bulletin will contain not only news about Social Security matters, but also information about Social Security topics of general interest.

The first bulletin will include information about the laws and rules regarding retired (or “rehired”) annuitants, and their treatment for Social Security and Medicare purposes. Future topics will include the Windfall Elimination Provision (WEP), the Government Pension Offset (GPO), Medicare enrollment dates, and other subjects of interest.

While we will continue to issue Circular Letters to all employers on Social Security issues, we hope that this bulletin may be a useful educational resource for you and your agency, as well as a quicker medium of communication when legislation with immediate effects is passed.

If you would like to receive this bulletin, send an email (if you have not already done so) to the SSSAP unit at: socialsecurity@calpers.ca.gov with “SUBSCRIBE” as the subject. There is no limit to how many persons at an agency may subscribe. You may also direct other Social Security-related questions to the SSSAP unit via this email address.

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