

AMERICAN PAYROLL ASSOCIATION COMPLIANCE UPDATE

New York Enacts Tax Reform Legislation –

Changes Personal Income and MTA Payroll Tax Rates

On December 9, *New York* Governor Andrew Cuomo signed a tax reform bill into law that will create new personal income tax (PIT) rates and brackets, effective for wages paid on or after January 1, 2012. The New York State Department of Taxation and Finance (DTF) is developing new withholding tables. The new law will also reduce and eliminate the Metropolitan Commuter Transportation Mobility Tax (MCTMT; also known as the MTA Payroll Tax) for certain employers, effective for the quarter beginning on April 1, 2012 [S.B. 50002, L. 2011; DTF, News Release, 12-12-11].

PIT – new rates and brackets

Effective for wages paid on or after January 1, 2012, there are four new tax brackets. For married couples filing jointly:

- 6.45% for income over \$40,000 up to and including \$150,000;
- 6.65% for income over \$150,000 up to and including \$300,000;
- 6.85% for income over \$300,000 up to and including \$2 million; and
- 8.82% for income over \$2 million.

For heads of household:

- 6.45% for income over \$30,000 up to and including \$100,000;
- 6.65% for income over \$100,000 up to and including \$250,000;
- 6.85% for income over \$250,000 up to and including \$1.5 million; and
- 8.82% for income over \$1.5 million.

For single filers:

- 6.45% for income over \$20,000 up to and including \$75,000;
- 6.65% for income over \$75,000 up to and including \$200,000;
- 6.85% for income over \$200,000 up to and including \$1 million; and
- 8.82% for income over \$1 million.

These rates and brackets (for married couples filing jointly, heads of household, and single filers) expire on December 31, 2014, when the highest rate will return to 6.85% (for married couples earning over \$40,000; heads of household earning over \$30,000; and single filers earning over \$20,000).

Current rates set to expire Dec. 31

These rates replace the current rates, which were set to expire on December 31, 2011. Under the current rates, married couples filing jointly who earned over \$40,000 up to and including \$300,000 (over \$30,000 up to an including \$250,000 for heads of household; over \$20,000 up to and including \$200,000 for single filers) are taxed at a rate of 6.85%. Couples earning over \$300,000 up to and including \$500,000 are taxed at a rate of 7.85% (over \$250,000 up to an including \$500,000 for heads of household; over \$200,000 up to and including \$500,000 for single filers) and joint, head of household, and single filers earning over \$500,000 are taxed at a rate of 8.97%. If this legislation had not been enacted, the highest tax rate would have reverted back to 6.85% on January 1, 2012 (see PAYSTATE UPDATE, Issue No. 20, Vol. 13).

MTA Payroll Tax reduced, eliminated for many employers

The MCTMT is imposed on employers engaged in business within the Metropolitan Commuter Transportation District (MCTD). Currently, the tax rate is 0.34%

of an employer's total payroll expense for employees employed within the MCTD (i.e., \$0.34 per \$100 of wages). Effective April 1, 2012, employers with a payroll expense of \$312,500 or less in a calendar quarter will be exempt from the MCTMT. Currently, this threshold is \$2,500 in a quarter. Certain educational institutions, including public and private elementary and secondary schools, will also be exempt from the MCTMT, effective April 1, 2012.

Also effective April 1, 2012, the MCTMT rate will be reduced for certain employers based on their quarterly payroll expense:

- The rate will be 0.11% for employers with a quarterly payroll expense exceeding \$312,500 up to and including \$375,000; and
- The rate will be 0.23% for employers with a quarterly payroll expense exceeding \$375,000 up to and including \$437,500.
- The rate will remain 0.34% for employers with a quarterly payroll expense exceeding \$437,500.

Note: This employer-paid payroll tax was enacted in 2009 as part of a bailout plan for the Metropolitan Transportation Authority (MTA), an agency that manages buses, trains, bridges, and tunnels in New York City and surrounding areas (see PAYSTATE UPDATE, Issue No. 10, Vol. 11). The MCTD is comprised of 12 counties served by the MTA, which include the five counties that make up New York City (Bronx, Kings (Brooklyn), New York (Manhattan), Queens, and Richmond (Staten Island)) and the surrounding counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

New withholding tables will be released

The DTF has announced that it is developing new state and Yonkers withholding tables that will be effective January 1, 2012. The new tables will reflect changes to the state PIT rates and brackets (which also affect Yonkers) and the state and Yonkers resident supplemental wage tax rates. Currently, the state supplemental wage tax rate is 9.77% and the Yonkers resident supplemental wage tax rate is 1.70975%. When the tables are available, they will be posted to the DTF website at www.tax.ny.gov.