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**December 19, 2013**

Dear Business Owner:

**FEDS TO ADD .9% EXTRA FUTA TAX FOR 2013 – DUE 1/31/14**

California is a FUTA "Credit Reduction State" again for 2013. This means that due to California carrying an outstanding balance on federal loans to pay state unemployment benefits, the federal government is giving California employers less credit, or in essence, adding an additional tax of .9% on individual employee's wages to \$7,000. (The additional tax in 2012 was .6%.) **This amounts to \$63.00 for each employee making \$7,000 or more.** This additional tax is due January 31, 2014 with your annual FUTA payroll report Form 940.

**MINIMUM WAGE INCREASE**

On July 1, 2014 California minimum wage will increase from \$8.00 an hour, which it has been since 2008, to \$9.00 per hour. Another increase will occur on July 1, 2016 raising California minimum wage to \$10.00 per hour.

**EMPLOYER PAID HEALTH INSURANCE ON W-2's-BE READY for 2014**

Reporting employer-paid health insurance on 2013 W-2 forms will be voluntary for employers with less than 250 employees. Although IRS has not released the requirement guidance, employers paying health insurance for their employees in 2014 should be prepared for 2014 W-2 reporting by keeping track of the amount of health insurance paid for each employee. Health insurance reporting is for information only and it not taxable.

**GET READY FOR YEAR-END**

- **1099's** – Make sure you have W-9 forms for outside service providers paid \$600 or more. For sole-proprietors that you pay, you must have their name (as filed on tax return), business name (optional) and social security number or EIN of the business (IRS prefers that you use the SSN).
- **Bank Reconciliation** – Make sure your bank account(s) are reconciled through 12/31/13. Check for old outstanding checks. If an outstanding check is from a prior year please call us for advice before voiding.
- **Credit for Employer Paid Health Insurance** – If your business paid health insurance for your employees in 2013 you may be eligible for Employer Health Insurance Tax Credit. This credit is taken on your Corporation, LLC or Individual Tax Return. Be prepared to provide the following information for each employee; gross wage, hours worked in 2013, amount of health insurance paid by employer, individual or family coverage, percentage paid by employee (if any).

**BOOKKEEPING TIPS**

- **Write Good Descriptions On Your Entries** – Whether you have Quickbooks, check stubs or a spreadsheet for your income and expenses be sure you write a good description for any entry that may need an explanation.
- **Don't Change Prior Year** – Never change anything in a prior year after your tax return has been prepared. If you think you need to change something, please call for advice.
- **Don't Pay Personal Expenses Out of Business Accounts** – If you need to pay a personal expense from business funds take a draw or distribution, deposit it in your personal account and pay the expense from your personal account. Especially for Corporations, it is not a good idea to mix personal and business expenses together.
- **What Is An Asset?** – Equipment of \$100 or more that will last more than one year is an asset to be depreciated rather than included with expenses.

**2014 PAYROLL TAX RATES**

**SDI RATE REMAINS AT 1.0% FOR 2014:** The SDI rate for 2014 remains at 1.0% but the wage limit goes up to \$101,636. SDI withholding includes SDI (State Disability Insurance) and PFL (Paid Family Leave).

**SUI & ETT RATES FOR 2014:** EDD determines SUI rates annually. New employers' rate is 3.4% for up to three years. UI rate for experienced employers varies based on each employers experience and balance in UI fund. The maximum rate is 6.2%. EDD will be mailing notices to employers with 2014 rates. ETT (Employment Training Tax) remains .1%.

**FUTA RATES FOR 2014:** The FUTA (Federal Unemployment) rate has not been announced for 2014. For 2013 the rate during the year was .6% on wages to \$7,000.

## 2014 PAYROLL TAX RATES-continued

**PAYROLL DEDUCTIONS:** The **Social Security wage limit increases to \$117,000 for 2014.** If you do payroll on your own computer, be sure to get your payroll update for the new 2014 tax tables. If you do your payroll by hand, use the new tables in the **2014 Circular E (IRS Publication 15)** and **2014 California Payroll Tax Guide (DE44).** These guides will not be mailed to employers. They are available online at [www.irs.gov](http://www.irs.gov) and [www.edd.ca.gov](http://www.edd.ca.gov). **Quickbooks payroll requires users to set their new SUI rate each year. Please check the setting for your SUI rate and change for 2014 if necessary.**

### 2014 Payroll Tax Rates

<b>SDI Employee Only</b>	<b>1.0%</b>	<b>(X .01) on wages to \$101,636 (Max \$1,016.36)</b>
<b>Social Sec. Employee &amp; Employer</b>	<b>6.2%</b>	<b>(X .062) on wages to \$117,000 (Max \$7,254.00)</b>
<b>Medicare Employee &amp; Employer</b>	<b>1.45%</b>	<b>(X .0145) on all wages – no limit</b>
<b>Additional Medicare, Employee Only</b>	<b>.9%</b>	<b>(x.009) on wages &amp; SE income over \$200,000</b>
	<b>Note:</b>	<b>(6.2% Soc. Sec. + 1.45% Medicare = 7.65% FICA)</b>
<b>SUI Employer Only</b>	<b>Varies</b>	<b>On wages to \$7,000</b>
<b>ETT Employer Only</b>	<b>.1%</b>	<b>(X.001) on wages to \$7,000 (not all employers pay ETT)</b>
<b>FUTA (2013 Rate) Employer Only</b>	<b>.6%</b>	<b>(X .006) on wages to \$7,000 (certain requirements for .6% rate)</b>
<b>FUTA 2013 Credit Reduction Employer Only</b>	<b>.9%</b>	<b>(x.009) on wages to \$7,000 (Due 1/31/14 with 940 Report)</b>

The IRS standard mileage rate for business miles driven in 2014 has been reduced to 56 cents per mile. The 2013 rate was 56.5 cents per mile.

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**Best wishes for a happy holiday season and a prosperous 2014  
from the Tribble & Ayala staff,**

*Angels Camp Office:*

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*Arnold Office:*

Heather Stone, Marcia Kovacs, Debbie Vandiver

Please visit our website: [www.tribbleayala.com](http://www.tribbleayala.com) to view previous year's newsletters containing useful information.