

SDAPA 4th Quarter

Newsletter

December 2022

In the News

Social Security Administration Announces \$160,200 Tax Wage Base for 2023

On October 13, the Social Security Administration (SSA) announced that the social security tax wage base for 2023 will be \$160,200, increased \$13,200 from \$147,000 in 2022. The maximum social security tax employees and employers will pay for each individual in 2023 is \$9,932.40, an increase of \$818.40 from \$9,114.00 in 2022.

Regarding Medicare tax, all covered wages are still subject to 14.5% tax. As in 2022, covered wages paid in excess of \$200,000 in 2023 will be subject to an extra 0.9% Medicare tax, which will only be withheld from the employees' wages. Employers do not pay the extra 0.9% Medicare tax for wages paid in excess of \$200,000.

The Social Security tax wage base announced by the SSA for 2023 is higher than the earlier estimate provided by the Social Security Trust Board of Trustees (and listed in the previous quarterly San Diego APA Chapter Newsletter). The Board's earlier estimate projected the 2023 wage base would be \$155,100. Employers who previously budgeted their 2023 FICA tax expenses based upon the Trustees' projection will need to recalculate their 2023 expenses with the actual \$160,200 wage base.

On the Calendar

Upcoming Member Events:

December 2022 - No meeting

January 2023 - No meeting

February 2023
Monthly Member Meeting
Online Meeting
2023 Legislative Update
Speaker: Christopher W
Olmstead

March 16, 2023
Monthly Member Meeting
Online Meeting
Unclaimed Wages
Speaker: Victoria Huff - Events
Analyst - Office of State
Controller, Unclaimed Property
Division

For additional details, please see the Social Security Administration's October press release at: www.ssa.gov/news/press/releases/2022/#10-2022-2

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Federal News

IRS Announces 2023 Retirement Plan Contribution Limits

The Internal Revenue Service (IRS) has announced changes to the dollar limits on benefits and contributions under qualified retirement plans for tax year 2023. The limit for 401(k) and 403(b) plans in 2023 increases to \$22,500, up from \$20,500 in 2022. The limitation for catch-up contributions to 401(k), 403(b) and 457(b) plans for individuals age 50 or over increased to \$7,500, up from \$6,500 in 2022. The annual compensation limit increases to \$330,000, up from \$305,000 in 2022. The limit on annual contributions to an Individual Retirement Arrangement (IRA) increases to \$6,500 in 2023, up from \$6,000 in 2022. The additional IRA catch-up contribution limit for individuals aged 50 and over remains \$1,000 for 2023.

The limitation used in the definition of "highly compensated employee" under section 414(q)(1)(B) is increased from \$135,000 to \$150,000. Effective January 1, 2023, the limitation on the annual benefit under a defined benefit plan under section 415(b)(1)(A) is increased from \$245,000 to \$265,000.

More information can be found inside IRS Notice 2022-55 at:
www.irs.gov/pub/irs-drop/n-22-55.pdf

IRS Shares 2023 Cost of Living Adjustments for Standard Deductions, FSA Deferrals and Transportation Fringes

The IRS released cost of living adjustments (COLAs) for 2023 which provide guidance on increases in excludable transportation fringe payments and the flexible spending arrangement (FSA) deferral limits. During 2023, the amounts for employer provided qualified transportation fringe benefits and qualified parking which may be excluded from gross income increase to \$300 per month, increased from \$280 per month in 2022.

For Flexible Spending Arrangement (FSA) plan years beginning in 2023, the limit for voluntary salary deductions towards plan contributions increased to \$3,050, up from \$2,850 in 2022.

The IRS income tax return standard deduction amounts for 2023 will increase to \$27,700 for married couples filing jointly (\$25,900 in 2022), \$13,850 for single taxpayers and married taxpayers filing separately (\$12,950 in 2022), and \$20,800 for heads of household (\$19,400 in 2022).

Additional updates and details for 2023 can be found within IRS Rev. Proc. 2022-38 at:
www.irs.gov/pub/irs-drop/rp-22-38.pdf

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California Updates

California Faces a FUTA Credit Reduction for 2022

The California Employment Development Department (EDD) announced that the state will not pay back its Federal Unemployment Account (FUA) loans by the November 10, 2022 deadline. This will result in California being a Federal Unemployment Tax Act (FUTA) credit reduction state for 2022, with a basic reduction of 0.3%. If states have outstanding FUA loans on January 1 of at least two consecutive years and on November 10 of the second year, the states are subject to a credit reduction on their FUTA tax rate until the loan has been paid off. Each year a loan continues to be unpaid, the credit reduction increases by 0.3%. Per the May 2022 UI Fund Forecast, California's expected year-end loan balance is estimated to be \$19.3 billion at the end of 2022.

Generally, federal law provides employers with a 54% FUTA tax credit toward the 6.0% regular tax when they file their Employer's Annual Federal Unemployment Tax Return (IRS Form 940). However, this credit will be reduced by 0.3% to 5.1% for the 2022 tax year. For each employer in California, this will result in an additional \$21 of FUTA tax per employee, per year. Without any change to California's UI funding structure, FUTA costs are anticipated to increase by an additional 0.3% each year until the UI Trust Fund regains solvency.

For more information, see the CA EDD updates at :
edd.ca.gov/en/payroll_taxes/federal-unemployment-tax-act

California Supplemental COVID-19 PSL Extended to December 31, 2022

California has extended COVID-19 supplemental paid sick leave (PSL) requirements until December 31, 2022. The COVID-19 supplemental PSL requirements were previously set to expire on September 30, 2022. Employers must provide written notice on either the employee's itemized pay statement or in a separate writing provided on the designated pay date with the employee's payment of wages. The written notice must include the amount of COVID-19 supplemental PSL the employee has used through the pay period in which it was due to be paid. If the employee has not used any COVID-19 supplemental PSL, the notification should list zero hours used. COVID-19 supplemental PSL must be listed separately from regular paid sick leave on the pay statement or separate writing.

More details are available at the CAR DIR Agency website at:
<https://www.dir.ca.gov/dlse/COVID19Resources/2022-SPSL-FAQs.html>

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The San Diego Chapter is currently accepting new sponsors

Interested in sponsoring our Chapter? Please visit the Chapter website sandiegochapterapa.org/sponsorship

Or email: sandiegochapterapa@hotmail.com

State and Local News

California Minimum Wage Set to Increase to \$15.50 Per Hour For All Employees in 2023

Effective January 1, 2023, the California minimum wage will increase to \$15.50 per hour for all employees. At present in 2022, the minimum wage is \$15.00 per hour for employers with 25 or more employees and \$14.00 per hour for employers with fewer than 25 employees. On January 1, 2023, the minimum wage will increase to \$15.50 per hour for all employees, regardless of the size of their employer.

The accelerated increase to California's minimum wage is required by a provision in the state's existing minimum wage law that was triggered because inflation exceeded seven percent. Further adjustments for inflation to the minimum wage will be determined on or before August 1 for each subsequent year, as required by California Labor Code 118.12.

Employers will also need to consider the impact the minimum wage will have upon the requirements for Overtime Exempt Employee classifications. For an individual to qualify as an exempt employee, California law requires that the individual earns a salary of no less than two times the state minimum wage for full-time employment. Effective January 1, 2023, the minimum salary for all California exempt employees will increase to \$64,480.00 per year.

The minimum wage increase also effects the overtime exemption rates of pay for specific classes of employees. For computer software employees, the January 1 2023 overtime exempt rate of pay is at least \$53.80 per hour or \$112,065.20 annually. Effective January 1, 2023, licensed physicians and surgeons must earn at least \$97.99 per hour, or \$203,819.20 annually, to be overtime exempt. All employers should review compensation for exempt employees to ensure that the applicable January 1, 2023, salary thresholds are satisfied.

For more information, please visit the California DIR Agency Minimum Wage webpage at: https://www.dir.ca.gov/dlse/faq_minimumwage.htm

San Diego City Minimum Wage Will Increase to \$16.30 Per Hour on January 1 2023

Effective January 1, 2023, employees who perform at least two hours of work in one or more calendar weeks of the year within the City of San Diego will receive a minimum wage increase from \$15.00 to \$16.30 per hour. The change is in accordance with the City of San Diego's Earned Sick Leave and Minimum Wage Ordinance, approved in 2016. The Earned Sick Leave and Minimum Wage Ordinance is applicable to all industries and businesses. There are no exceptions. Tips and gratuities do not count for the payment of minimum wage.

Other major California cities that will have new January 1, 2023, minimum wage rates include Cupertino, El Cerrito, Oakland, San Jose, Sunnyvale and West Hollywood.

For San Diego guidance, please visit: <https://www.sandiego.gov/compliance/minimum-wage>
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Please inform your colleagues in Payroll and Human Resources of the APA San Diego Chapter and invite them to consider membership!

Information on the APA San Diego Chapter's membership perks can be easily shared with others by downloading the informational brochure linked here ([click here](#)).

Happy Holidays!