

2025 PAYROLL TAX ALERT

The Alloy Silverstein Group strives to provide the information you need to run your business successfully. Following are important payroll tax figures and changes that affect employers for 2025.

EFFECTIVE JANUARY 1, 2025:

Federal Minimum Wage

The effective minimum rate per hour for 2025 remains at **\$7.25**. Refer to your state's minimum wage law and rate.

Federal Unemployment Tax

The wage base remains at **\$7,000**. The effective tax rate for 2025 is **0.6%**.

Social Security/Medicare

The wage base increases to **\$176,100** for Social Security and remains UNLIMITED for Medicare. For Social Security, the tax rate is **6.20%** for both employers and employees. (Maximum Social Security tax withheld from wages is **\$10,918.20** in 2025). For Medicare, the rate remains unchanged at **1.45%** for both employers and employees.

Additional Medicare Tax

A **0.9%** additional Medicare tax must be withheld from an individual's wages paid in excess of **\$200,000** in a calendar year. There is no employer match for the additional Medicare tax.

401(K) Plan Limits

The maximum employee pretax contribution increases to **\$23,500** in 2025. The "catch-up" contribution remains at **\$7,500** for individuals age 50 or older. Starting in 2025, individuals aged 60-63 have an increased "catch-up" contribution of **\$11,250** instead of the **\$7,500**.

SIMPLE Plan Limits

The maximum salary deferral contribution increases to **\$16,500** in 2025. The "catch-up" contribution remains at **\$3,500** for individuals age 50 or older. Starting in 2025, individuals aged 60-63 have an increased "catch-up" contribution of **\$5,250** instead of the **\$3,500**.

Earnings under Social Security

A social security beneficiary under full retirement age can earn **\$23,400** before benefits are reduced. For every \$2 a person under full retirement age earns over \$23,400, \$1 is withheld from benefits. In the year an employee reaches full retirement age, \$1 in benefits will be withheld for each \$3 they earn above **\$62,160** until the month the employee reaches full retirement age. Once an employee reaches full retirement age or older, their benefits are not reduced regardless of how much they earn.

Forms W-4, I-9 and W-9

All new employees are required to file Forms W-4 and I-9 which are to be kept on file by the employer. A new Form W-4 should be obtained when an employee's filing status or exemption changes. Be sure to request and keep on file a completed Form W-9 from all non-corporate taxpayers to whom your company pays commissions, interest, rents, etc., totaling \$600 or more, and also payments made to certain incorporated entities such as attorneys for legal services and providers of medical and health care services.

Filing of Form W-2 and 1099

The IRS electronic filing requirement remains at 10 or more for information returns. If you need to file electronically via the Social Security's Business Services Online (BSO) visit ssa.gov/employer for more information about using the BSO. Form 1099 must provide the payer telephone number or will be subject to penalties.

W-2 and 1099 Filing Deadline for Employers

The due date for filing 2024 Form W-2 with the Social Security Administration is January 31, 2025. Non-employee compensation, such as payment to independent contractors, will continue to be reported on Form 1099-NEC instead of 1099-MISC. The 1099-NEC return is also due January 31, 2025.

Health Benefits W-2 Reporting

Employers are required to include the aggregate cost of employer sponsored health benefits on the 2024 W-2's in Box 12 with code DD. It is for informational purposes only and will not be included in taxable income. Please contact us regarding the specific types of health benefits to be recorded. Small employers who file fewer than 250 W-2 Forms are exempt.

Electronic Federal Tax Payment System (EFTPS)

Employers must pay their Federal Tax Liabilities through the Electronic Federal Tax Payment System unless they pay less than \$2,500 in quarterly payroll tax liabilities and pay their liability when filing their employment tax returns (Forms 941 and 944).

New Hire Reporting Requirements

All employers are required to report basic information about employees who are newly hired or rehired. Please refer to your state's specific requirements and reporting process.



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FEDERAL UPDATES



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2025 WAGE TAX RATE SUMMARY

Federal	2025 Current Year	2024 Prior Year
FICA		
Employee Rate	6.20%	6.20%
Maximum Liability—Employee	\$ 10,918.20	\$ 10,453.20
Employer Rate	6.20%	6.20%
Maximum Liability—Employer	\$ 10,918.20	\$ 10,453.20
Wage Limit	\$ 176,100.00	\$ 168,600.00
MEDICARE		
Employee and Employer Rate	1.45%	1.45%
Maximum Deduction/Liability (each)	No Limit	No Limit
Wage Limit	No Limit	No Limit
Add'l Employee Rate on wages exceeding \$200,000	0.90%	0.90%
FUTA		
Employer Rate	0.60%	0.60%
Wage Limit	\$ 7,000.00	\$ 7,000.00
SOCIAL SECURITY BENEFITS		
<i>Earned income may be received without forfeiting benefits:</i>		
Under Full Retirement Age	\$ 23,400.00	\$ 22,320.00
After Full Retirement Age	No Limit	No Limit

Household Employers – Federal Thresholds	2025 Current Year	2024 Prior Year
DOMESTIC WORKERS (18 and older)		
Withhold and pay FICA if cash wages exceed:	\$ 2,800.00	\$ 2,700.00
Threshold for FUTA (per calendar quarter):	\$ 1,000.00	\$ 1,000.00

1099 Compliance*

INFORMATION FORM	THRESHOLD	DUE TO RECIPIENT	DUE TO IRS
1099-NEC	\$600	January 31, 2025	Mail: January 31, 2025 E-File: January 31, 2025
1099-MISC	\$600	January 31, 2025	Mail: February 28, 2025 E-File: March 31, 2025
1099-INT	\$10	January 31, 2025	Mail: February 28, 2025 E-File: March 31, 2025
1099-DIV	\$10 or \$600 in liquidations	January 31, 2025	Mail: February 28, 2025 E-File: March 31, 2025

* Refer to your specific state for state 1099, withholding, and e-filing requirements and deadlines.



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