

**SWC Business Brief**



**2022 Tax and Employer  
Rules and Regulations**



Tax planning and financial strategy. Simplified.®

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SWC (Stees, Walker & Company, LLP)

16875 W. Bernardo Drive, Ste. 290 | San Diego, CA 92127

p: (858) 487-4580 | f: (858) 487-8033 | e: admin@swc.cpa | w: SWC.cpa

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INTRODUCTION

# PAYROLL

## 2022 Tax and Employer Rules and Regulations

If you own or operate a business, you're no stranger to payroll taxes – the money you withhold from an employee's pay to remit to government tax collectors on the employee's behalf. You pay a portion of these taxes, and your employees pay a portion. The money collected is allocated to the following:

- Federal Insurance Contributions Act (FICA) to fund *Old Age, Survivors, and Disability Insurance* (OASDI), also known as Social Security and Disability, and Medicare (health insurance for senior citizens and the disabled)
- State Disability Insurance (SDI)
- Federal Unemployment Insurance (FUI)
- State Unemployment Insurance (SUI)
- Employment Training Tax (ETT)

In this *SWC Business Brief*, we bring you up to speed on what you need to know to plan for, pay, and remain in compliance with these and other withholdings for 2022. We'll also share information about important changes and reminders that your business needs to be aware of for the year ahead. First up, Social Security.

### Social Security Tax

For 2022, the Social Security tax rate is 6.2 percent for employer and employee – unchanged from 2021. The Social Security wage base has increased from \$142,800 in 2021 to \$147,000 in 2022. In other words, Social Security tax applies only to the first \$147,000

an employee earns, so the maximum you would withhold on behalf of the employee is \$9,114.

Keep in mind that the employee's share is only half of the total Social Security tax owed. As an employer, you are responsible for paying the other half. So, if you deduct and remit \$9,114 on behalf of your employee, you are required to pay an additional \$9,114 as employer.

Self-employed individuals are required to pay both "halves," so a self-employed individual with a net income of \$147,000 would pay  $\$9,114 \times 2 = \$18,228$  in Social Security Tax. To take some of the sting out of paying both halves of FICA, self-employed individuals receive a deduction for self-employment tax on their federal income tax return.

### Medicare Tax

The Medicare tax rate is unchanged from 2021 to 2022. The rate is 1.45 percent for employees and employers or a total of 2.9 percent of all wages – there is no maximum limit. Self-employed individuals are responsible for paying both halves on all net earnings.

Anyone earning more than \$200,000 in wages or self-employed net earnings is required to pay an additional 0.9 percent in 2022, which is unchanged from 2021. Employers are not required to pay a matching amount.

### State Disability Insurance

The State Disability Insurance (SDI) rate has *decreased* from 1.2 percent in 2021 to 1.1 percent in 2022, while the taxable wage ceiling has *increased* from \$128,298 in 2021 to \$145,600 in 2022. The maximum amount collected from any employee in 2022 is  $\$145,000 \times 1.1 \text{ percent} = \$1,601.60$ .

### Federal Unemployment Insurance

Employers (not employees) are responsible for paying Federal Unemployment Insurance (FUI), also referred to as Federal Unemployment Tax Act (FUTA) tax. As an employer, plan on paying 0.60 percent on the first \$7,000 of each employee's wages, up to a maximum of \$42 per employee.

Under FUTA, employers are required to pay FUI on 6 percent of each employee's eligible wages up to a wage ceiling of \$7,000. Businesses



**STATE DISABILITY  
INSURANCE**

usually receive a tax credit of 5.4 percent, effectively reducing the rate to 0.60 percent.

### State Unemployment Insurance

For SWC business clients in California, you are required to pay state unemployment insurance on the first \$7,000 of each employee's eligible wages. The rate is based upon each employer's experience. You should be receiving written notice from the Employment Development Department (EDD of California) informing you of your rate for the year 2022. If you did not receive written notice by early January 2022, you should call the EDD at (800) 300-5616.

### State Employee Training Tax

California employers are required to pay a 0.10 percent state employee training tax on the first \$7,000 of each employee's eligible wages, which comes to a maximum tax of \$7 per employee.

### Federal and California State Tax Tables

For additional details regarding U.S. and California state payroll taxes, we recommend referring to the official tax tables:

- The Federal tables are contained in IRS Circular E, *Employer's Tax Guide*, which you can download from the Internal Revenue Service website at [www.irs.gov/forms](http://www.irs.gov/forms).
- The California tables are contained in the *California Employer's Tax Guide*, DE 44 Rev. 48, which can be downloaded from the Employment Development Department website at [www.edd.ca.gov](http://www.edd.ca.gov).

### Payroll Tax Deposit Requirements

While 2022 deposit requirements for federal (U.S.) and state (California) are explained in the booklets reference above, here's what we want you to know:

- You will be required to deposit all federal taxes using electronic filing (this includes all federal taxes, payroll, corporate, etc.). If you accumulate \$100,000 or more of taxes (line 10 of Form 941 or line 9 of Form 944) on any day during a deposit period, you must deposit the tax by the next banking day, whether you are a monthly or semiweekly schedule depositor.



**PAYROLL TAX DEPOSITS**

- In California, you will be required to deposit state payroll taxes electronically. You can enroll for e-Services for Business at [www.edd.ca.gov](http://www.edd.ca.gov).
- The Internal Revenue Service and Employment Development Department have strict requirements and responsibilities for employers. We strongly recommend a thorough review of Circular E and DE 44 as previously mentioned.

### Payroll Taxes for Household Employees

Federal and state requirements for reporting payroll and paying taxes for household employees (*i.e., housekeepers, maids, babysitters, gardeners, and others who work in or around your private residence as your employee*) are somewhat different from those for regular employment taxes. Please contact our office by phone (858-487-4580) or email ([admin@swc.cpa](mailto:admin@swc.cpa)) if you have any questions.

### New Hire Reporting

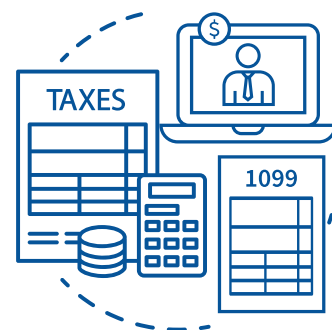
In California, the requirement for reporting new employees ([Report of New Employee\(s\)](#)) to the Employment Development Department within 20 days of hire has not changed. Use the link below to access the *Report of New Employee(s)* form, which if not properly completed and submitted on time may result in the form being rejected and/or your business being assessed penalties.

### Independent Contractor Reporting

The requirement for reporting independent contractors in California ([Report of Independent Contractor\(s\)](#)) has not changed. Any business or government entity (defined as a “Service-Recipient”) that is required to file a federal Form 1099-MISC for service performed by an independent contractor (defined as a “Service-Provider”) must report. You must report to the Employment Development Department (EDD) within 20 days of either making payments of \$600 or more or entering into a contract for \$600 or more with an independent contractor – whichever is earlier – in any calendar year.

### Matching Names and Social Security Numbers

The IRS has confirmed a plan to assess penalties on 2021 Form W-2's that have Social Security numbers that do not match the names on file with the Social Security Administration. The potential penalty for Form W-2s with incorrect information that is not corrected on or before Aug. 1 of the year of the filing deadline is



**INDEPENDENT CONTRACTOR REPORTING**

\$110 per W-2. You can verify employee names and Social Security numbers with the Social Security Administration online at [www.ssa.gov](http://www.ssa.gov).

### Paid Family Leave

This State of California program offers up to eight weeks of benefits in a 12-month period to provide care for parents, children, spouses, and domestic partners or to bond with a new child. It covers all employees who are covered by State Disability Insurance (SDI) and provides benefits of about 60 percent to 70 percent of lost wages. All employers should have received information to explain this program in detail. For additional information, visit California's [Paid Family Leave page](#).

### New Business Mileage Rate

Beginning Jan. 1, 2022, the federal standard mileage rate for the use of a car (including vans, pickups, or panel trucks) is 58.5 cents per mile for business miles driven. That's up from 56 cents per mile in 2021.

### CalSavers

CalSavers is a state-administered Roth-like retirement plan that all private employers who do not provide their own retirement plan must offer to their California employees. (We recently wrote about this program. See [Getting Up to Speed on CalSavers: California's State-administered Retirement Plan](#) on the SWC blog.) Private employers must enroll their business and employees in the CalSavers program and must contribute to the plan through salary reduction unless (1) the employees opt out or (2) the employer has fewer than five California employees. All non-exempt employers must register with CalSavers by June 30, 2022. Early registration is allowed. Registration is available online at <https://employer.calsavers.com>.

### Form I-9, Employment Eligibility Verification

You must complete Form I-9 each time you hire any person to perform labor or services in the United States in return for wages or other remuneration. Remuneration is anything of value given in exchange for labor or services, including food and lodging. The requirement to complete Form I-9 applies to new employees hired in the United States after Nov. 6, 1986, as well as new employees hired in the Commonwealth of the Northern Mariana Islands (CNMI) on or after Nov. 28, 2009.



**BUSINESS MILEAGE RATE**

Copies of the Form I-9 can be obtained by calling the U.S. Citizenship and Immigration Service (USCIS) at (800) 870-3676 or by [downloading it from the USCIS website](#).

### ***Receiving Help with 2022's Tax and Employer Rules and Regulations***

Here at SWC, we're committed to keeping our business clients up to date on all the latest tax and employer-related rules and regulations. Whether you're just starting a business or are an experienced entrepreneur, we can help you maintain compliance with all tax laws while reducing your tax obligations to the bare minimum.

If you have any questions or concerns, [contact us](#). We can address basic issues with a quick phone conversation, or we can schedule a consultation if your situation calls for a deeper dive. The important thing to remember is – don't put any of this off. With our team on your side, compliance is easy.

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**About the Author:** *Jennifer Shelton, CPA*, is an accountant at SWC – a San Diego, Calif.-based tax planning and financial strategy advisory firm for small-business owners, real estate investors, and high-net-worth individuals. A graduate of Kansas State University and a member of the Kansas Society of Certified Public Accountants (KSCPA) and the American Institute of Certified Public Accountants (AICPA), Jennifer has more than 15 years of experience in public accounting with a background in taxation and accounting.

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