

# Clarity US - How do I apply the new Social Security Tax rules?

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### What is different?

For 2011 the payroll year the US government has changed the Social Security tax rules. The maximum has not changed however the employee portion is now 4.20% instead of 6.20%. The employer portion remains at 6.20% as it was in 2010.

### What does this mean?

The original settings in Paymate software have the employer portion of Social Security set to equal the employee portion of Social Security. With the new rules this setup no longer is appropriate and needs to be changed. While Paymate is coming out with an update to change this setting for you some may need to manually apply the change (if you cannot wait for the update).

### How do I apply this change?

The change is a simple one to apply, follow these steps

- 1) Go to your payroll category setup screen  
By going to Setup Payroll Settings Payroll Categories
- 2) Select the Payroll Tax category labelled "Social Security tax (ER)"
- 3) Change the category type from Formula to Percentage
- 4) Enter the Percentage value of 6.20% (Illustration #1 for example)
- 5) Save the category
- 6) You now need to go through ALL PAYROLL CATEGORIES in the system, on the right side of each category is an option "Subject to" (for earnings and benefits) or "Deduct before" (for taxes and deductions) . For each category you need to check/select the "Social Security tax (ER)" category if the "Social Security tax (EE)" is selected. (Illustrations 2 and 3 for examples)

Illustration 1) Social Security Tax Employer category with new setup

Illustration 2) Example of payroll category that IS subject to Social Security

Illustration 3) Payroll category that is NOT subject to Social security

