



# Vertex Payroll Tax Guide 2023

2023 Tax REFERENCE GUIDE		 Columbus Life Insurance Company <small>A member of Western &amp; Southern Financial Group</small>	
<b>Tax Brackets for 2023</b> <i>Taxable income (i.e., income minus deductions and credits) between:</i>		<b>Standard Deduction</b>	
<b>Married, Joint &amp; Surviving Spouses</b>		Married, joint \$27,700 Single, married, separate \$13,850 HOH \$20,800 Blind or over 65: add \$1,500 if married, \$1,850 if single or HOH	
Marginal Tax Rates		<b>Mortgage Interest Deduction</b> On acquisition indebtedness up to \$750,000 for 1st and 2nd homes No deduction for home equity indebtedness	
\$0-\$22,000 10%		<b>State and Local Tax Deduction Limit</b> State and local income and property tax deduction \$10,000	
\$22,001-\$89,450 12%		<b>Alternative Minimum Tax Exemption Amount</b>	
\$89,451-\$100,750 22%		Married, joint \$126,500 Single, HOH \$81,300 Married, separate \$63,250	
\$100,751-\$125,000 24%		<b>IRA and Pension Plan Limits</b>	
\$125,001-\$162,500 32%		IRA contribution Under age 50 \$6,500 Age 50 and over \$7,500	
\$162,501-\$200,000 35%		Phaseout for deducting IRA contribution <sup>1</sup>	
\$200,001-\$259,900 37%		Married, joint \$176,000-\$136,000 MAGI Single, HOH \$73,000-\$83,000 MAGI Married, separate \$0-\$10,000 MAGI	
Capital gains/qualified dividends		Phaseout for deducting spousal IRA <sup>1</sup>	
\$0-\$89,250 0%		Married, joint \$218,000-\$228,000 MAGI Single, HOH \$138,000-\$153,000 MAGI Married, separate \$0-\$10,000 MAGI	
\$89,251-\$152,300 15%		SEP contribution	
\$152,301-\$200,000 20%		Up to 25% of compensation, limit \$66,000 Compensation to participate in SEP \$750	
<b>Single</b>		SIMPLE elective deferral	
\$0-\$11,000 10%		Under age 50 \$18,500 Age 50 and over \$19,000	
\$11,001-\$44,725 12%		401(k), 403(b), 457 <sup>2</sup> and SARSEP elective deferral	
\$44,726-\$95,375 22%		Under age 50 \$22,500 Age 50 and over \$30,000	
\$95,376-\$182,100 24%		Annual defined contribution limit	
\$182,101-\$231,250 32%		Married, joint \$265,000 Single, HOH \$150,000	
\$231,251-\$578,125 35%		Highly compensated employee \$215,000 Key Employee in top heavy plans \$215,000	
\$578,126-\$726,900 37%		Annual compensation taken into account for qualified plans \$330,000	
Capital gains/qualified dividends		<b>Retirement Tax Credit:</b> A percent tax credit for an IRA, 401(k), 403(b) or 457 plan contribution, in addition to deduction or exclusion, if	
\$0-\$44,625 0%		Married, joint Below \$73,000 AGI Single, HOH Below \$54,750 AGI Single, married, separate Below \$36,500 AGI	
\$44,626-\$492,300 15%		Maximum qualified longevity annuity contract (QLAC) premium \$155,000 Increased to \$200,000 for contracts purchased or exchanged after 12/29/2022	
\$492,301-\$553,850 20%			
<b>Married, Separate</b>			
\$0-\$11,000 10%			
\$11,001-\$44,725 12%			
\$44,726-\$95,375 22%			
\$95,376-\$182,100 24%			
\$182,101-\$231,250 32%			
\$231,251-\$578,125 35%			
\$578,126-\$726,900 37%			
Capital gains/qualified dividends			
\$0-\$44,625 0%			
\$44,626-\$492,300 15%			
\$492,301-\$553,850 20%			
<b>Head of Household (HOH)</b>			
\$0-\$15,700 10%			
\$15,701-\$60,850 12%			
\$60,851-\$95,350 22%			
\$95,351-\$182,100 24%			
\$182,101-\$231,250 32%			
\$231,251-\$578,125 35%			
\$578,126-\$726,900 37%			
Capital gains/qualified dividends			
\$0-\$50,750 0%			
\$50,751-\$523,050 15%			
\$523,051-\$553,850 20%			
<b>Estates and Trusts</b>			
\$0-\$2,000 10%			
\$2,001-\$10,550 24%			
\$10,551-\$14,450 35%			
over \$14,450 37%			
Capital gains/qualified dividends			
\$0-\$3,000 0%			
\$3,001-\$14,650 15%			
over \$14,650 20%			
<b>Corporate Tax Rate</b>		<b>21%</b>	

**Gift and Estate Tax**  
Gift tax annual exclusion \$12,000  
Estate and gift tax rate 40%  
Estate tax exemption \$12,920,000  
Lifetime gift exemption \$12,920,000  
GST exemption \$12,920,000  
Annual exclusion for gifts to noncitizen spouse \$175,000  
**Additional Medicare Tax Where Income Exceeds \$200,000 (\$250,000 married, joint)**  
Additional tax on excess of earned income<sup>3</sup> 0.9%  
Additional tax on Net Investment Income<sup>4</sup> 3.8%  
**Health Care**  
**Eligible Long-Term Care Deduction Limit**  
Age 40 or less \$480  
Ages 41 to 50 \$890  
Ages 51 to 60 \$1,790  
Ages 61 to 70 \$4,770  
Ages over 70 \$5,960  
**Per Diem Limitation for LTC Benefits** \$420  
**199A Qualified Business Income Thresholds**  
Married, joint \$364,200  
All others \$182,100



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1. Applicability depends on the type of IRA, which persons participate in an employer-sponsored plan, the type of employer-sponsored plan offered, and MAGI.

2. Special increased limit may apply to certain 403(b) contributors with 15 or more years of service.

3. In last 3 years prior to year of retirement, 457(b) plan participant may be able to double elective deferral if needed to catch up on prior missed contributions, but if they do, they cannot use catch up.

4. Total Employee Medicare Tax is 1.45% + 0.9% = 2.35%.

5. Including interest, dividends, capital gains and annuity distributions.

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## Vertex Payroll Tax Guide 2023

Navigating the complexities of payroll taxes can be daunting for employers and employees alike. The Vertex Payroll Tax Guide for 2023 aims to clarify the intricacies of payroll taxes, providing essential information on compliance, regulations, and effective management strategies. This comprehensive guide will explore the various facets of payroll tax, including federal and state obligations, payroll tax calculations, and how Vertex can streamline the process for businesses.

## Understanding Payroll Taxes

Payroll taxes are levied on employee wages and are a crucial part of the overall taxation system in the United States. These taxes fund various government programs, including Social Security and

Medicare. Employers are responsible for withholding appropriate amounts from employee paychecks and contributing additional amounts as required by law.

## **Types of Payroll Taxes**

There are several types of payroll taxes that employers must be aware of:

1. Federal Income Tax: Withheld from employees' wages based on their earnings and W-4 declarations.
2. Social Security Tax: A flat rate applied to employee earnings up to a certain limit, which is adjusted annually.
3. Medicare Tax: A percentage of all employee earnings, with an additional rate for high earners.
4. State Income Tax: Varies by state; not all states impose an income tax.
5. Unemployment Taxes: Both Federal Unemployment Tax Act (FUTA) and State Unemployment Tax Act (SUTA) taxes fund unemployment benefits.

## **Importance of Payroll Tax Compliance**

Compliance with payroll tax regulations is critical for businesses. Non-compliance can lead to severe penalties, including fines, interest on unpaid taxes, and potential legal issues. Therefore, understanding the obligations and staying updated on changes in tax law is essential for all employers.

## **Federal Payroll Tax Obligations in 2023**

As of 2023, federal payroll tax obligations include:

- Social Security Tax Rate: The rate remains at 6.2% for employees and employers on earnings up to \$160,200.
- Medicare Tax Rate: The standard rate is 1.45% for both employees and employers, with an additional 0.9% on earnings over \$200,000 for single filers and \$250,000 for married couples filing jointly.
- FUTA Tax Rate: The federal unemployment tax rate is 6.0%, but employers can receive credits that may reduce the effective rate to as low as 0.6%.

It is essential for employers to regularly check the IRS guidelines and updates, as tax rates and regulations can change annually.

## **State Payroll Tax Obligations in 2023**

Each state administers its own payroll tax laws, which can significantly differ from federal regulations. Employers must stay informed about the specific requirements for their state, including:

- State Income Tax Rates: These vary widely from state to state, with some states having a flat tax and others using a progressive tax system.
- State Unemployment Tax Rates: These rates can fluctuate based on the employer's experience rating and state unemployment levels.

## Key Considerations for State Payroll Taxes

When managing state payroll taxes, employers should consider:

- Registration: Ensure that your business is registered with the state's tax authority.
- Withholding Regulations: Familiarize yourself with the state's withholding requirements.
- Reporting Deadlines: Adhere to state-specific reporting timelines to avoid penalties.
- Changes in Law: Stay updated on any legislative changes that could impact payroll taxes.

## Calculating Payroll Taxes

Accurate payroll tax calculations are critical for compliance and financial management. Here's a step-by-step guide to calculating payroll taxes for your employees:

### Step 1: Gather Employee Information

Collect the following information for each employee:

- Gross wages
- Withholding allowances (from W-4 forms)
- Any additional deductions (e.g., retirement contributions)

### Step 2: Calculate Federal Withholdings

1. Federal Income Tax: Use the IRS withholding tables or the Percentage Method to determine the amount to withhold based on the employee's gross pay and W-4 information.
2. Social Security Tax: Multiply the employee's gross wages by 6.2% (up to the wage base limit).
3. Medicare Tax: Multiply the employee's gross wages by 1.45%. For high earners, apply an additional 0.9% on wages exceeding \$200,000.

### Step 3: Calculate State Withholdings

1. Determine the applicable state income tax rate.
2. Calculate state unemployment taxes based on the state's formula and your business's experience rate.

## Step 4: Total Payroll Tax Liability

Add the amounts withheld for federal income tax, Social Security tax, Medicare tax, and state taxes to determine the total payroll tax liability.

## Vertex Payroll Solutions

Vertex offers robust solutions to help businesses manage their payroll tax obligations efficiently. With its advanced tax calculation tools and compliance features, Vertex can significantly reduce the administrative burden associated with payroll taxes.

### Key Features of Vertex Payroll Solutions

1. Automated Compliance: Vertex ensures that businesses remain compliant with federal, state, and local payroll tax regulations.
2. Real-Time Calculations: Automated calculations provide accurate withholding amounts based on real-time data.
3. Integration Capabilities: Vertex seamlessly integrates with popular payroll systems, allowing for smooth data transfer and reporting.
4. Reporting Tools: Generate detailed reports to help monitor tax liabilities and filing statuses.

### Benefits of Using Vertex for Payroll Tax Management

- Time Savings: Automating payroll tax calculations saves time, allowing HR teams to focus on other essential tasks.
- Reduced Errors: Minimizing manual calculations helps reduce the risk of errors, which can lead to compliance issues.
- Expert Support: Vertex provides expert support to help businesses navigate complex tax regulations and changes.

### Best Practices for Managing Payroll Taxes

Implementing best practices for payroll tax management can lead to increased accuracy and compliance. Here are several tips for effective payroll tax management:

1. Stay Informed: Regularly review updates from the IRS and state tax authorities to stay compliant with changing laws.
2. Use Payroll Software: Invest in reliable payroll software that automates calculations and tracks tax obligations.
3. Conduct Regular Audits: Periodically review payroll records and tax filings to ensure accuracy and compliance.
4. Train Staff: Ensure that staff responsible for payroll are trained in payroll tax regulations and

software.

## Conclusion

The Vertex Payroll Tax Guide for 2023 serves as an essential resource for employers seeking to navigate the complexities of payroll tax management. Understanding federal and state obligations, accurately calculating payroll taxes, and leveraging tools like Vertex can help businesses remain compliant and efficient in their payroll processes. By implementing best practices and staying informed, employers can effectively manage their payroll tax responsibilities and avoid potential pitfalls.

## Frequently Asked Questions

### What is Vertex Payroll Tax Guide 2023?

The Vertex Payroll Tax Guide 2023 is a comprehensive resource designed to assist businesses in understanding and complying with payroll tax regulations across different states and localities in the U.S.

### How does the Vertex Payroll Tax Guide help businesses?

It provides detailed information on payroll tax rates, filing requirements, and updates on any legislative changes that could impact payroll processing.

### What are the key updates in the 2023 Vertex Payroll Tax Guide?

Key updates include changes in state tax rates, new local tax implementations, and adjustments to federal withholding guidelines that businesses need to be aware of for accurate payroll processing.

### Is the Vertex Payroll Tax Guide applicable for all states?

Yes, the guide covers payroll tax information for all U.S. states and territories, ensuring businesses can navigate diverse regulations.

### How often is the Vertex Payroll Tax Guide updated?

The guide is typically updated annually to reflect the latest tax rates, laws, and compliance requirements, with additional updates provided as necessary throughout the year.

### Can small businesses benefit from the Vertex Payroll Tax Guide?

Absolutely! Small businesses can utilize the guide to ensure they are meeting payroll tax obligations, avoiding penalties, and streamlining their payroll processes.

## Are there online resources available for the Vertex Payroll Tax Guide 2023?

Yes, Vertex provides an online version of the Payroll Tax Guide, allowing users to access updated information and tools for easier navigation of payroll tax requirements.

## What features are included in the Vertex Payroll Tax Guide?

Features include state-by-state tax tables, compliance checklists, deadline reminders, and insights on recent tax law changes.

## How can I access the Vertex Payroll Tax Guide 2023?

The guide can be accessed through the Vertex website, where you can purchase a copy or subscribe for ongoing updates and resources.

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