

NOTICE TO EMPLOYEES

December 15, 2009

TO: Employees
FROM: Joe Webber, Assistant Manager, Fiscal Services
SUBJECT: Year 2010 Tax Changes and Withholding Information
Effective January 1, 2010

Federal and State Income Tax Withholding

The annual federal withholding allowance for one allowance remains at \$3,650 for year 2010. The federal and state income tax withholding brackets have been revised for 2010.

Social Security and Medicare

The year 2010 Social Security and Medicare tax rates are 6.2 percent and 1.45 percent respectively, unchanged from the prior year. The Social Security maximum wage base remains at \$106,800 for 2010. There continues to be no cap on the Medicare wage base.

Tax Summary	Year 2010	Year 2009
Social Security	6.2 percent	6.2 percent
Medicare rate	1.45 percent	1.45 percent
Social Security maximum wage base	\$106,800.00	\$106,800.00
Medicare maximum wage base	no limit	no limit
Maximum Social Security contribution (6.2%)	\$6,621.00	\$6,621.00
Maximum Medicare contribution (1.45%)	no limit	no limit

Federal Withholding-Form W-4

You must file a new or amended *Form W-4*, "Employee's Withholding Allowance Certificate," if your filing status, exemption allowances or exempt status has changed since your last W-4 was filed. If you claimed exemption from withholding tax on your 2009 *Form W-4*, you must file a new W-4 for year 2010 no later than February 16, 2010, if you want to continue to claim the exemption in 2010. If you no longer claim exempt status, you must file a new W-4 for January tax withholding.

Unless you file a state *Form DE-4*, state tax withholding is based on your **federal W-4**. You may elect to have different federal and state exemption levels or claim state personal estimated withholding allowances by filing both forms.

Advanced Earned Income Credit (AEIC)

The Advance Earned Income Credit earnings limits for 2010 have been revised by the IRS. To receive the advance, a *Form W-5* must be filed. Employees who received AEIC in 2009 and will qualify again in 2010 must file a **new W-5** form to continue to receive AEIC in 2010. The 2009 forms are valid only through December 31, 2009.

The AEIC annual maximum amount payable in 2010 is \$1,830.

Some items on this notice are intended to comply with employee notification requirements of the IRS.

Should you have any questions regarding this information, please contact Shelley Davis at (562)907-5956 for Classified or Vicki Mooradian at (562)907-5955 for Certificated.

