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**Important Tax Season Note:** It is almost that time of year again. January 1<sup>st</sup> is right around the corner and with the new year comes a new tax season. Most of you receive tax organizers from our office each year to help you prepare and gather your information for your tax returns. We are offering you three options for receiving your organizer this year:

Option 1: The same as in the past. You can receive your organizer in the mail.

Option 2: Receive a copy of your organizer as a PDF document by e-mail.

Option 3: Receive your organizer through our secure website. You can review and fill in information on your computer, save it and come back later, and submit your finished organizer all online without printing a single page or leaving your home.

Please contact our office at (252)-633-5096 or at [info@paceandwooten.com](mailto:info@paceandwooten.com) as soon as possible to indicate which option you prefer. If we do not hear from you we will send your organizer by regular mail.

If you have any questions please do not hesitate to contact our office at (252)-633-5096 or by e-mail at [info@paceandwooten.com](mailto:info@paceandwooten.com).

**Changes with Our Newsletter:** As of January, we will begin sending out our monthly newsletter by email. For those of you without access to email, we will be more than happy to continue mailing the newsletter to you. Please forward your email address to [chrissi@paceandwooten.com](mailto:chrissi@paceandwooten.com) or call our office at (252)-633-5096 to indicate your preference for receiving the newsletter. If we do not hear from you, we will continue to send your newsletter through the mail. Thank you for your assistance.

**Social Security Wage Base Increasing to \$110,100 in 2012.** The Social Security Administration (SSA) has announced that the maximum earnings subject to Social Security (OASDI) tax will increase from \$106,800 to \$110,100 in 2012. It's the first increase to the Social Security wage base since 2009 [SSA Press Release, 10/19/11; SSA Fact Sheet, 2010 Social Security Changes].

The Federal Insurance Contributions Act (FICA) imposes two taxes on employers, employees, and self-employed workers — one for Old Age, Survivors and Disability Insurance (OASDI, commonly known as the Social Security tax), and the other for Hospital Insurance (HI, commonly known as the Medicare tax). There is a maximum amount of compensation subject to the OASDI tax (i.e., \$110,100 in 2012), but no maximum for HI. The FICA tax rate for employers has been 7.65% in recent years — 6.2% for

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OASDI and 1.45% for HI. The Social Security withholding tax for employees was temporarily lowered from 6.2% to 4.2% in 2011. President Obama has sent legislation to Congress (American Jobs Act) that would lower the Social Security tax rate for both employers and employees from 6.2% to 3.1% in 2012 (Payroll Guide Newsletter ¶ 19.1 09/16/2011). If the legislation is not enacted, the maximum Social Security tax paid by both employers and employees will be \$6,826.20 in 2012 (6.2% employee and employer Social Security tax rate).

**Social Security and Supplemental Security Income (SSI) benefits will increase by 3.6% in 2012.**

The average monthly Social Security benefit will increase from \$1,186 to \$1,229, and the maximum federal SSI monthly payment to an individual will increase from \$674 to \$698. The maximum federal SSI monthly payment to a couple will increase from \$1,011 to \$1,048 in 2012. The amount of earnings that is required in order to be credited with a quarter of Social Security coverage will increase from \$1,120 to \$1,130.

The retirement earnings test remains in effect for individuals below normal retirement age (age 65 to 67, depending on year of birth) who continue to work while collecting Social Security benefits. For affected individuals, \$1 in benefits will be withheld for every \$2 in earnings above \$14,640 in 2012 (up from \$14,160 in 2009-2011). For working individuals collecting benefits who reach normal retirement age (NRA) in 2012, \$1 in benefits will be withheld for every \$3 in earnings above \$38,880 (up from \$37,680 in 2009-2011), until the month that the individual reaches NRA. After that month, there is no limit on earnings.

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The following estimated tax payments are due by December 15, 2011:

Individuals	No installment due
Corporate Income Tax Years Ending:	
August 31, 2012	1 <sup>st</sup> Installment
June 30, 2012	2 <sup>nd</sup> Installment
March 31, 2012	3 <sup>rd</sup> Installment
December 31, 2011	4 <sup>th</sup> Installment

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