

AMERICAN PAYROLL ASSOCIATION
Compliance Update

IRS Releases 2010 Circular E

The 2010 Circular E, *Employer's Tax Guide* (Pub. 15), has been released by the IRS. It is available on the APA website at www.americanpayroll.org/members/Forms-Pubs/#pubs. There are no major changes to Circular E this year, but several "What's New" items are highlighted:

- **Social security and Medicare tax for 2010.** Do not withhold social security tax after an employee reaches \$106,800 in social security wages, which remains unchanged from 2009. (There is no limit on the amount of wages subject to Medicare tax.) Social security and Medicare taxes apply to the wages of household workers you pay \$1,700 or more in cash. Social security and Medicare taxes apply to election workers who are paid \$1,500 or more (see PAYROLL CURRENTLY, [Issue No. 20](#), Vol. 17).

- **Verifying social security numbers.** Starting in fall 2009, the Social Security Administration (SSA) is no longer manually verifying social security numbers (SSNs) over the telephone (see PAYROLL CURRENTLY, [Issue No. 19](#), Vol. 17). SSA now offers an automated telephone service, Telephone Number Employer Verification (TNEV), that lets employers and authorized reporting agents verify up to 10 employee names and SSNs.

- **Withholding income taxes on the wages of nonresident alien employees.** A new procedure applies to figure the amount of income tax to withhold from the wages of nonresident alien employees (see PAYROLL CURRENTLY, [Issue No. 24](#), Vol. 17).

- **Optional additional withholding adjustment for pensions.** An optional procedure and additional withholding tables are provided for figuring the amount of income tax to withhold from pension payments (see PAYROLL CURRENTLY, [Issue No. 23](#), Vol. 17).

- **COBRA premium assistance credit.** The American Recovery and Reinvestment Act (see PAYROLL CURRENTLY, [Issue No. 4](#), Vol. 17) allows a credit against employment taxes for providing COBRA premium assistance for certain involuntarily terminated employees. Although an individual cannot become eligible for COBRA premium assistance after December 31, 2009, the assistance can last up to nine months so that some assistance eligible individuals may continue to receive the premium assistance during 2010.

- **Ordering employer tax products.** To order 2009 and 2010 tax products and information returns, select "Online Ordering for Information Returns and Employer Returns" at www.irs.gov/businesses. You may also order employer tax products and information returns by calling 1-800-829-3676.

Changing payroll laws, rules, rates, and filing and reporting procedures. Where do you go when you have payroll questions? To your compliance lifeline: **The Payroll Source®**. [Order](#) yours by January 31 and save up to \$45!