

Payroll Tax Cut to Boost Take-Home Pay for Most Workers; New Withholding Details Now Available on IRS.gov

IR-2010-124, Dec. 17, 2010

WASHINGTON — The Internal Revenue Service today released instructions to help employers implement the 2011 cut in payroll taxes, along with new income-tax withholding tables that employers will use during 2011.

Millions of workers will see their take-home pay rise during 2011 because the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provides a two percentage point payroll tax cut for employees, reducing their Social Security tax withholding rate from 6.2 percent to 4.2 percent of wages paid. This reduced Social Security withholding will have no effect on the employee's future Social Security benefits.

The new law also maintains the income-tax rates that have been in effect in recent years.

Employers should start using the new withholding tables and reducing the amount of Social Security tax withheld as soon as possible in 2011 but not later than Jan. 31, 2011. [Notice 1036](#), released today, contains the percentage method income tax withholding tables, the lower Social Security withholding rate, and related information that most employers need to implement these changes. Publication 15, (Circular E), Employer's Tax Guide, containing the extensive wage bracket tables that some employers use, will be available on IRS.gov in a few days.

The IRS recognizes that the late enactment of these changes makes it difficult for many employers to quickly update their withholding systems. For that reason, the agency asks employers to adjust their payroll systems as soon as possible, but not later than Jan. 31, 2011.

For any Social Security tax over withheld during January, employers should make an offsetting adjustment in workers' pay as soon as possible but not later than March 31, 2011.

Employers and payroll companies will handle the withholding changes, so workers typically won't need to take any additional action, such as filling out a new W-4 withholding form.

As always, however, the IRS urges workers to review their withholding every year and, if necessary, fill out a new W-4 and give it to their employer. For example, individuals and couples with multiple jobs, people who are having children, getting married, getting divorced or buying a home, and those who typically wind up with a balance due or large refund at the end of the year may want to consider submitting revised [W-4 forms](#). [Publication 919](#), How Do I Adjust My Tax Withholding?, provides more information to workers on making changes to their tax withholding.

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