



Moore School of Business

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Payroll Taxes, Workers Compensation, and SC Department of Employment and Workforce Information

Payroll Taxes

There are several types of payroll taxes for employee taxes and employer taxes.

Employee taxes- You must withhold taxes on behalf of your employees. These taxes are collected by you and employee contributions. They include:

- Federal income tax
- State income tax
- Social security (FICA) tax (employee portion)

Your employees must complete forms US W-4 and SC W-4 before you are able to determine the amount to withhold for federal and state income taxes from their salaries (Form 8109). Social security is determined by a legislated percentage which may be obtained through IRS publications.

Employer taxes- these payroll taxes involve your expense as an employer. They include:

- Social security (FICA) tax (employer portion)
- Federal unemployment tax (FUTA)
- State unemployment tax (SUTA)

Each new business should contact the SC Department of Employment and Workforce for information on unemployment taxes.

Employee portions of the federal/state income taxes and Social Security tax must be remitted along with the employer portion to the federal and state taxing authorities, following the schedules provided by the agencies. You must also complete quarterly returns for submitting payroll information to the federal and state agencies. An explanation of these reports should be included in the information you receive from the IRS, the SC Department of Revenue, and the SC Department of Employment and Workforce.

Worker's Compensation (Insurance)

Workers' compensation is a form of insurance that provides compensation medical care for employees who are injured in the course of employment, in exchange for mandatory relinquishment of the employee's right to sue his or her employer for negligence. The tradeoff between assured, limited coverage and lack of recourse outside the worker compensation system is known as "the

compensation bargain." While plans differ between jurisdictions, provision can be made for weekly payments in place of wages (functioning in this case as a form of disability insurance), compensation for economic loss (past and future), reimbursement or payment of medical and like expenses (functioning in this case as a form of health insurance), and benefits payable to the dependents of workers killed during employment (functioning in this case as a form of life insurance).

For more information, please contact your commercial business insurance broker.

SC Department of Employment and Workforce

The SC Department of Employment and Workforce helps people work toward financial stability by providing unemployment benefits, job opportunities, and workforce services. To promote stable employment and economic growth for all, the Commission tracks trends and statistics and connects employers and job seekers in the true spirit of productivity.

Liability Under the Federal Unemployment Tax Act: The Federal Unemployment Tax Act imposes a 6.2 percent excise tax (percentage can change yearly) on every employer's total employment wages paid during a calendar year. Under the Federal Act, the employer gets credit against the federal tax in the amount of contributions he paid into the unemployment fund under state unemployment insurance law. This means an employer's Federal unemployment tax rate will be 0.8 percent of the taxable wages he paid for employment, provided, he timely paid contributions to the DEW as DEW law requires.

In South Carolina, the base tax rate for a new employer under DEW law is 2.64 percent, plus applicable surcharge, of the total taxable wages. After 12 consecutive months of liability as of June 30, the employer may have his state employment insurance tax rate reduced based on certain factors. If the employer's base state tax rate for contribution purposes is reduced below 2.64 percent, his federal excise tax will continue to be paid at a rate of 0.8 percent.

For more information, contact:

SC Department of Employment and Workforce
Administrative Section, Columbia
Tax Department Director
Phone: 803-737-3070
Fax: 803-737-8290
www.sces.org