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Paychex Explains Key Highlights of Fiscal Cliff Deal for America's Small Businesses and Wage Earners

ROCHESTER, N.Y.--(BUSINESS WIRE)-- Paychex, Inc., a leading provider of [payroll](#), [human resource](#), and [benefits outsourcing](#) solutions for small- to medium-sized businesses, today outlined the essential elements of the *American Taxpayer Relief Act of 2012* on behalf of America's small businesses and all wage earners. The legislation was passed Tuesday by Congress to avoid the "fiscal cliff," and signed by President Obama late last night. The new tax tables reflecting the rate changes implemented by the Act were released by the IRS today. Paychex has implemented these changes, and they will be reflected in our clients' payrolls beginning tomorrow, January 4, 2013.

The primary payroll-tax related provisions of the *American Taxpayer Relief Act of 2012* include:

- **Expiration of the "payroll tax holiday."** The expiration of this provision means the employee Social Security tax rate will go from 4.2 percent back to 6.2 percent, up to the 2013 taxable wage limit of \$113,700.
- **Extension of the lower "Bush era" income tax rates** for individuals earning up to \$400,000 and households earning up to \$450,000. The tax rate for earnings in excess of those thresholds will now increase from 35 percent to 39.6 percent.

The payroll tax holiday, first enacted in 2011 and then extended through 2012, was intended to be a temporary tax break for American workers to help spur spending during the height of the recession. With the passage of this Act, the Social Security tax rate returns to 6.2 percent and is expected to impact a majority of American workers. For example, a worker earning \$50,000 per year will now see \$1,000 less in their net take-home pay as compared to 2012.

Since many American households earn less than \$450,000 a year, most will likely not be impacted by the higher income tax rate for high wage earners. Small businesses that file tax returns as individuals should note the higher rate and consult with their tax advisor.

"Paychex has a dedicated team of tax and payroll compliance professionals who have closely monitored every development related to the fiscal cliff," said Martin Mucci, president and CEO of Paychex. "As soon as Paychex received the new tax tables from the IRS this morning, our team implemented the changes, and they are now in place for our clients' payrolls effective tomorrow. I am proud of the Paychex employees who have not only closely monitored the complexities of these changes, but have quickly put them in place for our clients, continuing our commitment to provide exceptional service."

The higher Social Security tax rate has already been calculated into the payroll of Paychex

clients as of January 1, 2013 and will be reflected in the first paychecks of the New Year.

For more information, visit <http://www.paychex.com/articles/payroll/what-is-the-fiscal-cliff>.

About Paychex

Paychex, Inc. (NASDAQ:PAYX) is a leading provider of payroll, human resource, and benefits outsourcing solutions for small- to medium-sized businesses. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services, including direct deposit, check signing, and Readychex®. Human resource services include 401(k) plan recordkeeping, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business. A variety of business insurance products, including group health and workers' compensation, are made available through Paychex Insurance Agency, Inc. Paychex was founded in 1971. With headquarters in Rochester, New York, the company has more than 100 offices serving approximately 567,000 payroll clients as of May 31, 2012. For more information about Paychex and our products, visit www.paychex.com.

Note: The foregoing is provided for informational purposes only, and is not intended to be tax or legal advice. Consult your licensed attorney, accountant, or other tax professional to discuss your particular facts, circumstances, and how these opportunities might apply to your business.

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