



OFFICE OF THE VICE PRESIDENT
HUMAN RESOURCES

OFFICE OF THE PRESIDENT
300 Lakeside Drive, 12th Floor
Oakland, CA 94612-3550

January 5, 2012
Via Electronic Mail

Re: Reduction in Social Security Payroll Tax for 2012

Dear Union Leadership:

The following is being shared with you to assist you in answering questions that may come from your members.

On December 23, 2011, President Obama signed into law the Temporary Payroll Tax Cut Continuation Act of 2011. Included in the Act is a provision that temporarily reduced the social security withholding rate from 6.2% to 4.2% for the first two months of 2012. This change is effective with paychecks (and direct deposit) issued on or after January 1, 2012. Because the law was enacted so close to the end of the calendar year, the IRS has given employers until January 31, 2012 to implement this withholding change. Although this temporary payroll tax cut is currently scheduled to expire February 29, 2012, a House-Senate Conference committee is scheduled to convene soon to consider extending the payroll tax cut for the remainder of 2012. We will await further instructions from the IRS once a decision has been reached.

For most University of California campuses, the new withholding rate will become effective with the first pay date *after* January 3, 2012. However, for monthly paid employees the change could not be implemented in time for the January 3, 2012 pay date because campuses processed the monthly payroll prior to the issuance of the IRS instructions implementing the new tax rates. Employees paid on February 1, 2012 will also receive a 2% refund in their social security tax because the January 3, 2012 paycheck (or direct deposit) they received was subject to withholding at the old rate (6.2%). As a result, the net social security withholding will be 2.2% for the February 1 pay date.

The reduced withholding will be implemented at these campuses effective with the following pay schedules:

Biweekly	January 4, 2012	UCD, UCI, UCLA, UCM, UCSD, UCSF
Semi-monthly	January 6, 2012	UCB, ASUCLA
Monthly Arrears	January 6, 2012	UCB, UCR, UCSB, UCSC, HASTINGS
Monthly Current	February 1, 2012	ALL

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If you have any questions about this change, please e-mail me at karen.ernst@ucop.edu.

Sincerely,

A handwritten signature in black ink that reads "Karen Ernst". The signature is written in a cursive, flowing style.

Karen Ernst
Assistant Director- Labor Relations

cc: Vice President Duckett
Director Saxton
Senior University Negotiators
Manager, Tax Services, Barrett
Manager, Payroll Coordinator Ruiz
Labor Relations Managers