

Payroll Tax Cut Extended – New Form Issued for Employers

February 2012 by [Kimberly I. McCarthy, Esq.](#)

On Wednesday, February 22, 2012, Congress passed a law extending the 2% payroll tax cut through the end of this year. Self-employed individuals also receive a 2% rate cut in the self-employment tax. No action is required to continue receiving the payroll tax cut, and the lower rate will have no effect on workers' future Social Security benefits.

Another benefit of the new legislation is a repeal of the 2% recapture tax included in December's payroll tax cut extension. The effect of the recapture was to cap the wages eligible for the payroll tax cut at \$18,350. Instead, for 2012, the payroll tax applies to the first \$110,100 of wages and net self-employment income received by an individual.

On Thursday, February 23, 2012, the Internal Revenue Service released revised Form 941 enabling employers to properly report the newly-extended payroll tax cut. <http://www.irs.gov/pub/irs-pdf/f941.pdf>. Additional guidance will be released later, if necessary.