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TO: All State Employees  
FROM: Dhiren V. Shah, Director  
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DATE: January 27, 2022  
SUBJECT: Payroll Changes Effective January 1, 2022

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Please make the following information accessible to employees of your agency.

1. Social Security (FICA) Tax for Employees

The Social Security Administration (SSA) has announced that the Social Security taxable wage base for 2022 will increase from 2021 (\$142,800) to 2022 (\$147,000). The employer's FICA tax rate will hold steady at 7.65% for 2022 and the employee social security portion of the FICA tax rate will remain at 6.20% for all wages up to and including \$147,000. The employee Medicare portion of the FICA tax rate will be 1.45% for all wages up to and including \$200,000. The employee Medicare portion of the FICA tax rate will be 2.35% on all wages earned in excess of \$200,000.

FICA Tax is composed of two portions:

- a) OASDI (Old Age, Survivors, Disability Insurance) or better known as the Social Security Tax.
  - 2022 FICA taxable wages capped at \$147,000
  - 2022 Social Security tax rate of 6.20% on wages up to \$147,000 results in a maximum payment of \$9,114 each for employer and employee as Social Security taxes.
- b) Medicare (Hospital Insurance)
  - Medicare tax applies to all FICA taxable wages. There is no cap for this tax.
  - 2022 Medicare tax computed as 1.45% of all wages up to and including \$200,000 (EX: \$2,900.00 for FICA taxable earnings of \$200,000)
  - 2022 Medicare tax computed as 2.35% on all taxable wages in excess of \$200,000 (EX: \$4,075.00 for FICA taxable earnings of \$250,000)

Therefore, for the first \$147,000 in FICA taxable earnings employers and employees will each pay a total tax amount of \$ 11,245.50 (\$9,114 + \$2,131.50). For **EMPLOYERS** all FICA taxable earnings in excess of the \$147,000 will continue to be taxed at the rate of 1.45% for Medicare. For **EMPLOYEES** please see Page 1 Medicare explanation.

## 2. Medicare (Hospital Insurance) Tax for Certain Employees

The Medicare (Hospital Insurance) Tax, which is the only Social Security tax applicable to some University of Maryland and certain State Police employees, shall apply to every dollar of FICA taxable earnings in 2022. The Medicare (Hospital Insurance) remains the same as 2021. See explanation on Page 1 under Medicare tax rates.

## 3. State Withholding Tax Changes

The tax rates and rate brackets which became effective for all tax years beginning after December 31, 2011 as listed below, are unchanged for 2022.

<b>Taxpayers Filing Joint, Head of Household or for Qualifying Widows/Widowers</b>		<b>Taxpayers Filing as Single, Married Filing Separately, or as dependent Taxpayers</b>	
<u>Taxable Income</u>	<u>Tax Rate</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
\$1 - \$1,000	2.00 percent	\$1 - \$1,000	2.00 percent
\$1,001 - \$2,000	3.00 percent	\$1,001 - \$2,000	3.00 percent
\$2,001 - \$3,000	4.00 percent	\$2,001 - \$3,000	4.00 percent
\$3,001 - \$150,000	4.75 percent	\$3,001 - \$100,000	4.75 percent
\$150,001 - \$175,000	5.00 percent	\$100,001 - \$125,000	5.00 percent
\$175,001 - \$225,000	5.25 percent	\$125,001 - \$150,000	5.25 percent
\$225,001 - \$300,000	5.50 percent	\$150,001 - \$250,000	5.50 percent
In excess of \$300,000	5.75 percent	In excess of \$250,000	5.75 percent

**Exemption Amount** - Remains unchanged at \$3,200 for 2022. An additional exemption of \$3,200 may be claimed for any additional dependent that is at least 65 years of age on the last day of the tax year.

For taxpayers with higher incomes, the exemption amount is limited as follows:

<b>Taxpayers Filing Joint, Head of Household, or for Qualifying Widows/Widowers</b>		<b>Taxpayer Filing as Single, Married Filing Separately, or as Dependent Taxpayers</b>	
<u>Federal Adjusted Gross Income</u>	<u>Exemption Amount</u>	<u>Federal Adjusted Gross Income</u>	<u>Exemption Amount</u>
\$150,001 - \$ 175,000	\$1,600	\$100,001 - \$ 125,000	\$1,600
\$ 175,001 - \$200,000	\$800	\$125,001 - \$150,000	\$800
In excess of \$200,000	-0-	In excess of \$150,000	-0-

The additional \$1,000 exemption amount for a taxpayer or spouse being at least 65 years of age or blind remains.

**Maryland Refundable Earned Income Credit Calculation:** Maryland filers claiming the federal EITC may also be eligible for a refund of a percentage of this amount through their Maryland tax return. The RELIEF Act increases this percentage from 28% for tax year 2019 to 45% for tax years 2020 through 2022, resulting in an increased refund amount for some taxpayers.

**Declaration of Estimated Taxes:** If you are required by law to file a declaration of estimated tax for any year and you either (1) fail to file on the date prescribed, (2) **fail to pay the installment or installments when due** or (3) estimate a tax less than 90% of the developed tax shown on the return for the current taxable year and which estimate was less than 110% of the tax that was developed for the prior year, you will be subject to the penalties and interest as provided by law for the failure to file a return and the failure to pay a tax when due.

#### 4. Maryland County Income Tax Withholding

For tax year 2022, the local rates for some counties changed. Note: Nonresident local tax rate is 2.25%.

Central Payroll Bureau is required to tax at maximum local rate of 3.20% absent of employee submitted address data on Form W-4 and/or MW507. When this occurs the county code on the employee's pay stubs will reflect HW for Howard County.

### Local Income Tax Withholding Rates for 2022

City or County Of Residence	County Code	Local Income Tax Withholding Rate (percentage of MD Taxable Wage)
Worcester County	24	2.25
Talbot County	21	2.40
Garrett County	12	2.65
Anne Arundel County	02	2.81
Frederick County	11	2.96
Calvert County	05	
Cecil County	08	
Washington County	22	3.00
Carroll County	07	
Charles County	09	3.03
Allegany County	01	3.05
Harford County	13	3.06
St. Mary's County	19	3.10
Caroline County	06	
Dorchester County	10	
Baltimore County	03	
Baltimore City	04	
Howard County	14	
Kent County	15	
Montgomery County	16	
Prince George's County	17	
Queen Anne's County	18	
Somerset County	20	
Wicomico County	23	
Unknown Maryland County	**	3.20
Out of State	25-76	2.25

This table is a display of all possible Local Income Tax Withholding Rates effective for payments made on or after January 1, 2022.

5. The "Military Spouses Residency Relief Act" remains.

This act amended the "Service Members Civil Relief Act" so that exemption from Maryland income tax is applicable if the following three conditions are met:

- a. Your spouse is a member of the armed forces present in Maryland in compliance with military orders
- b. You are present in Maryland solely to be with your spouse
- c. You maintain your domicile in another state

If you claim exemption under this Act, you must complete form MW507M and attach a copy of your spousal military identification card in addition to submitting form MW507.

6. Federal Withholding Tax Changes

The Federal income tax withholding rates will change effective January 1, 2022.

- To view the Federal Tax Tables, visit our Web site at:

<https://www.marylandtaxes.gov/statepayroll/employees-current-memos.php>

Click on "2022 Federal Income Tax Withholding Information"

7. Annual Wage and Tax Statement (Form W-2) for 2021

The Central Payroll Bureau will issue laser-printed annual Wage & Tax Statements (Form W-2) by January 31, 2022. Maryland State employees who had signed up to receive the electronic only W-2 version before December 23<sup>rd</sup>, may access their 2021 W-2s as of **January 19<sup>th</sup>, 2022** by logging on to Central Payroll Bureau's POSC portal. We encourage employees to sign up for electronic only option that gives you early access to your W-2 in secured environment.

Three copies of the W-2 statement are provided for use with Federal and State returns plus a copy for the employee to retain. Additional copies are available to the employee or agency payroll personnel via our web site home page, menu option POSC, throughout the year beginning January 31<sup>st</sup>, 2022.

8. Maryland Electronic Filing Program

Maryland Income Tax returns can be filed for "free" using "iFile". For information on iFile visit the Comptroller's web site at:

[www.marylandtaxes.gov](http://www.marylandtaxes.gov)

or call: 1-800-MD-TAXES

Individuals can email their state tax questions to:

[taxhelp@marylandtaxes.gov](mailto:taxhelp@marylandtaxes.gov)

## 9. Explanation of the W-2

Our web site offers a detailed explanation of the W-2 which can be downloaded for employees who need assistance in understanding the difference between their year-to-date earnings shown on the last pay stub (or "stubs" if the employee worked for more than one agency during the year) and the taxable wages shown on their Form W-2. The " Your 2021 W-2, What You Need to Know" information can be accessed from our home page:

<https://www.marylandtaxes.gov/divisions/cpb.php>

Click on "Employees, W2's"

Click on "Explanation of Your W2"

**NOTE:** *The Patient Protection and Affordable Care Act of 2010 requires that employers report the total aggregate cost of group health plan coverage to their employees annually on the W-2. Although this cost is included on the W-2 (in Box 12, under Code DD), it is informational only and is **NOT** included in taxable income. The aggregate cost of coverage that is reported on the W-2 is based on what you pay toward the Pharmacy Plan, Basic Health Insurance and the subsidized amount the State of Maryland pays toward your plan's coverage.*

## 10. Request for Duplicate W-2

Duplicate W-2's may be requested via phone starting on February 14, 2022. Current available request lines are: 410-260-7964 (local) and 1-888-674-0019 (toll free in Maryland). Requests taken by phone are batched and processed on a weekly cycle. For faster service employees are encouraged to download a copy using the POSC (Payroll Online Service Center) application, located on the Central Payroll Bureau Web site:

<https://www.marylandtaxes.gov/statepayroll/online-services.php>

## 11. State Tax Return Requirements

Employee contributions to any of the following retirement or pension systems will be noted on the first line in box 14 of the W-2 labeled as "STPICKUP". If an employee is due a refund of their Maryland taxes, failure to add the "state pickup amount" on line 3 of the 502 form or line 19 of the 505 form Maryland state tax returns can result in the refund being delayed. This is an additional modification required because the "state pickup amount" is only sheltered for Federal income tax purposes and is fully taxable for State income tax and Social Security (FICA) purposes.

### Check Stub Description

ST TCHR RETMT  
ST POL RETMT  
LEGIS RETMT  
LAW ENF PN-MODS  
STEMP PENSION  
ST EMP ALT PEN  
ST MSD EMP MOD

ST EMP RETMT  
JUDGES RETMT  
LAW ENF RETMT  
ST TCHR PENS  
ST TCH ALT PEN

Employees will use the amount in box "16" of the Form W-2 (labeled "State wages, tips, other compensation") for their State taxable wages. Because the Maryland Tax Return (Form 502 or 505) uses the "Federal adjusted gross wages" as the starting point for determining State taxable wages, box "16" (State Wages) was deliberately left blank in previous years. The use of software tax preparation programs or electronic/internet filing requires state wages to be reported without Federal adjustments, so box 16 will this year contain the correct amount needed by those programs to begin completing the state tax return.

State instructions can be accessed through our web site at:

[www.marylandtaxes.gov](http://www.marylandtaxes.gov)

Under the heading "Individual Taxpayers"  
Click on "Income Tax Forms and Instructions"

#### 12. Maryland Charities Campaign Deduction

The voluntary deductions for the Maryland Charities Campaign, which were solicited in the Fall of 2021, will be effective starting with the Regular Payroll pay period ending December 28, 2021, paid on January 05, 2022 (the corresponding University of Maryland pay period ending is January 1, 2022, paid on January 7, 2022 and Contract pay period ending is January 04, 2022 and paid on January 12, 2022). The payroll deductions will continue for 26 pays.

#### 13. Unemployment Insurance Premium

The Unemployment Insurance Premium subsidy rate effective for the FY 2022 is 0.28%. Unemployment Insurance Wages exclude cafeteria plans and dependent and health care plans.