



Office of the State Comptroller
PAYROLL BULLETIN

Subject 1996 Changes in Federal Income Tax Withholding and Earned Income Credit	Bulletin No. P-880
	Date December 20, 1995

FEDERAL TAX

Federal Income Withholding Tax tables have changed effective Institution checks dated January 4, 1996 and Administration checks dated January 10, 1996. The value of a withholding allowance has been increased to \$49.04 weekly, \$98.08 biweekly and \$211.50 monthly. A copy of the tax tables are attached. To request a copy of the Circular E, Employer's Tax Guide contact the IRS at the toll free number, 1-800-829-3676.

ADVANCE PAYMENT OF EARNED INCOME CREDIT

In 1996, employees whose earned income is less than \$25,078 may be eligible for the advance payment of the Earned Income Credit (EIC), with a maximum credit of \$1291.00. Copies of the new 1996 tables for calculating the credits are attached.

Eligible employees must complete a new W-5, Earned Income Credit Advance Payment Certificate each year. Copies of the forms may be obtained from IRS. Instructions for processing the EIC are in the Agency Payroll Manual, Chapter D, Section 4, page 45. For agencies with on-line access to the OSC payroll files the instructions for processing are in the Payroll Manual, Deduction Processing, Section 6, page 114.

Attachments

PERCENTAGE METHOD WITHHOLDING TABLES

The 1996 percentage method withholding tables appear on the following two pages. This method of withholding for federal income taxes works for any amount of income and any number of withholding allowances the employee claims. Use these steps to figure the income tax to withhold under the percentage method:

- ▶ Multiply the value of one withholding allowance from the table below by the number of allowances the employee claims.
- ▶ Subtract that amount from the employee's wages.
- ▶ Using the appropriate percentage method table for the employee's payroll period and marital status, compute the amount to be withheld from wages remaining.

Withholding Allowance Values

Payroll Period	One Allowance
Weekly	\$ 49.04
Biweekly	98.08
Semimonthly	106.25
Monthly	212.50
Quarterly	637.50
Semiannually	1,275.00
Annually	2,550.00
Daily or miscellaneous	9.81

Tables for Percentage Method of Withholding (Continued)
(For Wages Paid in 1996)

TABLE 5—QUARTERLY Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$656		\$0		Not over \$1,606		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$656	—\$6,363	15%	—\$656	\$1,606	—\$11,063	15%	—\$1,606
\$6,363	—\$13,431	\$856.05 plus 28%	—\$6,363	\$11,063	—\$22,419	\$1,418.55 plus 28%	—\$11,063
\$13,431	—\$30,688	\$2,835.09 plus 31%	—\$13,431	\$22,419	—\$37,963	\$4,598.23 plus 31%	—\$22,419
\$30,688	—\$66,300	\$8,184.76 plus 36%	—\$30,688	\$37,963	—\$66,975	\$9,416.87 plus 36%	—\$37,963
\$66,300		\$21,005.08 plus 39.6%	—\$66,300	\$66,975		\$19,861.19 plus 39.6%	—\$66,975

TABLE 6—SEMIANNUAL Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$1,313		\$0		Not over \$3,213		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$1,313	—\$12,725	15%	—\$1,313	\$3,213	—\$22,125	15%	—\$3,213
\$12,725	—\$26,863	\$1,711.80 plus 28%	—\$12,725	\$22,125	—\$44,838	\$2,836.80 plus 28%	—\$22,125
\$26,863	—\$61,375	\$5,670.44 plus 31%	—\$26,863	\$44,838	—\$75,925	\$9,198.44 plus 31%	—\$44,838
\$61,375	—\$132,600	\$16,369.16 plus 36%	—\$61,375	\$75,925	—\$133,950	\$18,833.41 plus 36%	—\$75,925
\$132,600		\$42,010.16 plus 39.6%	—\$132,600	\$133,950		\$39,722.41 plus 39.6%	—\$133,950

TABLE 7—ANNUAL Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$2,625		\$0		Not over \$6,425		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$2,625	—\$25,450	15%	—\$2,625	\$6,425	—\$44,250	15%	—\$6,425
\$25,450	—\$53,725	\$3,423.75 plus 28%	—\$25,450	\$44,250	—\$89,675	\$5,673.75 plus 28%	—\$44,250
\$53,725	—\$122,750	\$11,340.75 plus 31%	—\$53,725	\$89,675	—\$151,850	\$18,392.75 plus 31%	—\$89,675
\$122,750	—\$265,200	\$32,738.50 plus 36%	—\$122,750	\$151,850	—\$267,900	\$37,867.00 plus 36%	—\$151,850
\$265,200		\$84,020.50 plus 39.6%	—\$265,200	\$267,900		\$79,445.00 plus 39.6%	—\$267,900

TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:		If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:	
Not over \$10.10		\$0		Not over \$24.70		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$10.10	—\$97.90	15%	—\$10.10	\$24.70	—\$170.20	15%	—\$24.70
\$97.90	—\$206.60	\$13.17 plus 28%	—\$97.90	\$170.20	—\$344.90	\$21.83 plus 28%	—\$170.20
\$206.60	—\$472.10	\$43.61 plus 31%	—\$206.60	\$344.90	—\$584.00	\$70.75 plus 31%	—\$344.90
\$472.10	—\$1,020.00	\$125.92 plus 36%	—\$472.10	\$584.00	—\$1,030.40	\$144.87 plus 36%	—\$584.00
\$1,020.00		\$323.16 plus 39.6%	—\$1,020.00	\$1,030.40		\$305.57 plus 39.6%	—\$1,030.40

ADVANCE EIC PAYMENT TABLES

Internal Revenue Service tables for computing employer provided advance payments of the earned income credit in 1996 are reproduced on the following pages. Advance EIC payments may be figured by either the percentage method or the wage bracket method, and tables are provided for each.

The table that relates to the employee's payroll period must be used to calculate advance earned income credit payments. The payroll period is the same as that used for computing withholding of income taxes, i.e., daily, weekly, monthly, etc.

There are two employee status categories that can affect the amount of advance EIC payments: (a) Single or married spouse filing certificate, and (b) married with both spouses filing certificate. Married employees must indicate on Form W-5 if their spouse receives advance EIC payments. When figuring EIC payments, an employer should make sure it uses the table that correctly reflects the employee's status.

Note that the tables that follow provide the earned income credit for one qualifying child, which is the only credit available through advance payments from the employer. Employees may be eligible for supplemental credits for an additional child, health insurance costs, or an infant. Supplemental credit may be claimed on the employee's tax return.

Tables for Percentage Method of Advance EIC Payments
(For Wages Paid in 1996)

Table 1. WEEKLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$121 . . .	20.40% of wages	\$0	\$60 . . .	20.40% of wages
\$121	\$223 . . .	\$25	\$60	\$111 . . .	\$12
\$223	. . . . .	\$25 less 9.588% of wages in excess of \$223	\$111	. . . . .	\$12 less 9.588% of wages in excess of \$111

Table 2. BIWEEKLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$243 . . .	20.40% of wages	\$0	\$121 . . .	20.40% of wages
\$243	\$446 . . .	\$50	\$121	\$223 . . .	\$25
\$446	. . . . .	\$50 less 9.588% of wages in excess of \$446	\$223	. . . . .	\$25 less 9.588% of wages in excess of \$223

Table 3. SEMIMONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$263 . . .	20.40% of wages	\$0	\$131 . . .	20.40% of wages
\$263	\$483 . . .	\$54	\$131	\$241 . . .	\$27
\$483	. . . . .	\$54 less 9.588% of wages in excess of \$483	\$241	. . . . .	\$27 less 9.588% of wages in excess of \$241

Table 4. MONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$527 . . .	20.40% of wages	\$0	\$263 . . .	20.40% of wages
\$527	\$967 . . .	\$108	\$263	\$483 . . .	\$54
\$967	. . . . .	\$108 less 9.588% of wages in excess of \$967	\$483	. . . . .	\$54 less 9.588% of wages in excess of \$483

Tables for Percentage Method of Advance EIC Payments (Continued)
(For Wages Paid in 1996)

Table 5. QUARTERLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$1,582.	20.40% of wages	\$0	\$791.	20.40% of wages
\$1,582	\$2,902.	\$323	\$791	\$1,451.	\$161
\$2,902		\$323 less 9.588% of wages in excess of \$2,902	\$1,451		\$161 less 9.588% of wages in excess of \$1,451

Table 6. SEMIANNUAL Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$3,165.	20.40% of wages	\$0	\$1,582.	20.40% of wages
\$3,165	\$5,805.	\$646	\$1,582	\$2,902.	\$323
\$5,805		\$646 less 9.588% of wages in excess of \$5,805	\$2,902		\$323 less 9.588% of wages in excess of \$2,902

Table 7. ANNUAL Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—	
\$0	\$6,330.	20.40% of wages	\$0	\$3,165.	20.40% of wages
\$6,330	\$11,610.	\$1,291	\$3,165	\$5,805.	\$646
\$11,610		\$1,291 less 9.588% of wages in excess of \$11,610	\$5,805		\$646 less 9.588% of wages in excess of \$5,805

Table 8. DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate			(b) MARRIED With Both Spouses Filing Certificate		
If the wages divided by the number of days in such period (before deducting withholding allowances) are:		The amount of payment to be made is the following amount multiplied by the number of days in such period:	If the wages divided by the number of days in such period (before deducting withholding allowances) are:		The amount of payment to be made is the following amount multiplied by the number of days in such period:
Over—	But not over—		Over—	But not over—	
\$0	\$24.	20.40% of wages	\$0	\$12.	20.40% of wages
\$24	\$44.	\$5	\$12	\$22.	\$2
\$44		\$5 less 9.588% of wages in excess of \$44	\$22		\$2 less 9.588% of wages in excess of \$22