

ACCOUNTING AND
CONTROL MANUAL

BULLETIN

NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER

DIVISION OF AUDITS AND ACCOUNTS

BULLETIN NO. P-188

December 26, 1978

Attention: All Payroll Officers, All Departments and Agencies

Subject : Changes in Federal Income Tax Withholding for 1979

There will be a change in the Federal Income Tax Withholding rates in payroll period #20, December 21, 1978-January 3, 1979 for Administration and December 28, 1978-January 10, 1979 for Institutions.

Refer to the Employer's Tax Guide, Circular E, Publication 15 (Revised November 1978) for detailed provisions for withholding taxes. The tables and methods contained in this revised edition will be applied to any payment of wages made after December 31, 1978. A copy of the Circular E may be obtained by calling the toll free number, 800-225-0717.

The "Notice to Employees" on the reverse side explains the changes in Federal Income Tax Withholding. If you have questions regarding the changes outlined in this notice, call the local Internal Revenue Office.

Changes in Federal Income Tax Withholding For 1979

The Revenue Act of 1978 made several changes that, for most persons, will result in a reduction of income taxes for 1979. Because of these changes, income tax withholding will be decreased for most employees in 1979.

The general tax credit expires on December 31, 1978. This credit was built into the income tax withholding rates and tables. It allowed each taxpayer to claim a credit of either 2 percent of taxable income not to exceed \$180 or \$35 for each personal exemption. Because of the expiration of the general tax credit, some employees who do not claim all the withholding allowances to which they are entitled will find their income tax withholding increased. You may avoid this by claiming all the withholding allowances to which you are entitled, including the special withholding allowance. Each single employee with only one job, and each married employee with only one job whose spouse is not employed may claim one additional allowance for the special withholding allowance.

Also, the amount of the earned income credit will be increased for 1979. In addition, starting in July 1979, certain employees will be eligible to receive an advance payment of the earned income credit in their wage payment, instead of waiting until the end of the year. These employees must file a certificate with their employer showing their eligibility. The certificate and instructions will be available in the spring of 1979.

The law has also been changed to allow a tax credit for qualified energy expenditures. For details, please see the instructions for the 1978 Form 1040 and Form 5695, Energy Credits, and Publication 903, Energy Credits for Individuals.

Form W-4, Employee's Withholding Allowance Certificate, has been revised to reflect these changes. You can use the worksheet in Form 1040-ES, Declaration of Estimated Tax for Individuals, to estimate what your taxes will likely be for 1979. This will help you decide whether you should change your withholding. If too much or too little tax is being withheld, you should file a new Form W-4 with your employer. Form W-4 (Revised December 1978) is for wages paid after December 31, 1978.

Please note that, if you have been claiming additional withholding allowances based on tax credits, itemized deductions, or alimony payments, the

tables on the back of Form W-4 for figuring these allowances have been changed to reflect recent law changes.

If, after reviewing your tax and withholding situation, you determine less tax should be withheld, consider claiming all the allowances to which you are entitled. But you may not claim the same allowances with more than one employer at the same time. If both you and your spouse are employed, you can divide the allowances between you, but both cannot claim the same ones. Remember, the more withholding allowances you claim on Form W-4, the less tax will be withheld from your wages. On the other hand, the fewer allowances you claim, the more tax will be withheld.

If you determine more tax should be withheld, you may increase the amount to be withheld by claiming fewer or zero allowances, or by asking your employer to withhold more tax, or both. If married, you may also check the box titled "Married, but withhold at higher Single rate" on Form W-4. You may need more withholding if both you and your wife or husband are employed, or if you have more than one job. These are the usual situations when too little tax is withheld.

If you need help in completing Form W-4, get **Publication 505, Tax Withholding and Declaration of Estimated Tax**, which explains withholding in greater detail, or contact any IRS office.

If you recently began your job after a period of unemployment, you may avoid having too much income tax withheld by asking your employer to use the part-year method of withholding.

(Note: Starting in 1979, part of any unemployment compensation payment to single persons with incomes over \$20,000, and married persons filing joint returns with incomes over \$25,000, will have to be included in income on their tax returns. For details, contact any IRS office.)

Employer:

Please post or publish this Bulletin Board Poster so that employees will see it.

Please indicate where forms and information on this subject are available.