Office of the State Comptroller

PAYROLL BULLETIN

Subject	Bulletin No.
Changes in Federal Withholding Taxes and NYC Resident Tax Surcharge Effective January 1, 1985	P-417
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Federal Income Withholding Tax Tables have changed effective for Institution payroll checks dated January 3, 1985, and Administration payroll checks dated January 9, 1985.

The new tax tables reflect indexing for inflation of the tax rate schedule, the zero bracket amount, and the personal allowance amount. The value of a withholding allowance has been increased from $38.46 to $40.00 biweekly.

The amount an employee can earn and still be eligible for advanced payment of the Earned Income Credit has been increased to $11,000.

Copies of the new tables from Circular E, dated January, 1985 are attached to this bulletin.

Also, the New York City resident withholding tax surcharge has been eliminated effective in January 1985.

Adjusting Wage Bracket Withholding for Employees Claiming More than 10 Allowances

The percentage method of figuring withholding adapts to any number of allowances.

The wage bracket tables are for up to 10 allowances. More than that will often occur. This is because of the special withholding allowance, additional allowances for deductions and credits, and the system itself. Usually, it is worthwhile for employees to claim all the withholding allowances to which they are entitled.

We did not extend the wage bracket tables beyond 10 allowances because they would become too bulky. This is the way to adapt the tables to employees with more than 10 allowances:

(a) Multiply the number of withholding allowances over 10 by the allowance value for the payroll period. (The allowance values are in the Percentage Method Income Tax Withholding Table.)

(b) Subtract the result from the employee's wages.

(c) On this sum, find and withhold the tax in the column for 10 allowances.

Example: *You have a married employee with weekly wages of $583. The employee claims 12 withholding allowances on Form W-4. Use the wage bracket tables to find the weekly amount to withhold. You find the withholding this way:*

(1) Multiply two allowances (the number over 10) by $20.00 (the allowance value for a weekly payroll period) = $40.00.

(2) Subtract $40.00 from the weekly wages of $583 = $543.00.

(3) The $543.00 falls in the weekly wage bracket of at least $540 but less than $550. Find the tax amount, $43, in the column for 10 allowances for the $540-$550 wage bracket. Withhold the tax amount from wages paid.

This is a voluntary method. If you use the wage bracket tables, continue to withhold the amount in the "10" column when your employee has more than 10 allowances. You can also use any other method described in this guide or in Publication 493. You can get Publication 493 at most IRS offices.

Alternative Methods of Income Tax Withholding

The Internal Revenue Code allows employers to use different methods for figuring income tax withholding.

Publication 493 gives—

(a) Alternative formula tables for percentage method withholding (for automated payroll systems).

(b) Wage bracket percentage method withholding tables (for automated payroll systems).

(c) Combined income tax and social security tax withholding tables.

Some other methods are explained below. Use the method that best suits your payroll system.

Annualized Wages.—Multiply wages for a payroll period by the number of payroll periods in the calendar year. Figure the amount of withholding required on the total wages for the whole year. Then divide that amount by the number of payroll periods. The result will be the amount of withholding for the payroll period.

Average Estimated Wages.—You may withhold the tax for a payroll period based on estimated average wages, with necessary adjustments, for any quarter. For details, please see section 31.3402(h)(1)-1 of the regulations.

Cumulative Wages.—An employee may ask you, in writing, to withhold tax on cumulative wages. If so, and you have paid the employee for the same kind of payroll period (weekly, biweekly, etc.) since the beginning of the year, you may figure the tax as follows:

1. Add the wages to be paid the employee for the current payroll period to the total wages you previously paid him or her during the current calendar year.

2. Divide the step 1 amount by the total number of payroll periods used in step 1.

3. Find the tax that would have been withheld on the step 2 amount, and multiply by the total number of payroll periods used in step 1. Use the percentage method in this Circular.

4. Subtract from the step 3 amount the total tax already withheld during the calendar year. The excess (if any) is the amount to withhold for the current payroll period.

(See Revenue Procedure 78-8 on page 562 of Cumulative Bulletin 1978-1 for an example of the cumulative method.)

Part-Year Employment.—A part-year employee who figures income tax on a calendar year basis may ask you to withhold tax by the part-year employment method. The request must be in writing and must contain the following information:

(a) The last day of employment (if any) during the calendar year with any prior employer;

(b) A statement that the employee uses the calendar-year accounting period; and

(c) A statement that the employee reasonably anticipates that he or she will be employed for an aggregate of no more than 245 calendar days in all terms of continuous employment during the current calendar year.

A term of continuous employment may be a single term or two or more following terms of employment with the same employer. A continuous term includes holidays, regular days off, and days off for illness or vacation. A continuous term begins on the first day an employee works for you and earns pay. It ends on the earlier of: the employee's last day of work for you; or if the employee performs no services for you for more than 30 calendar days, the last work day before the 30-day period. If an employment relationship is ended, the term of continuous employment is ended, even if a new employment relationship is established with the same employer within 30 days.

Take these steps to figure withholding tax by the part-year method:

1. Add the wages to be paid the employee for the current payroll period to the wages (if any) you have already paid the employee in the current term of continuous employment.

2. Add the number of payroll periods used in step 1 to the number of payroll periods between the employee's last employment and current employment. To find the number of periods between the last employment and current employment, divide (a) the number of calendar days between the employee's last day of earlier employment (or the previous December 31, if later) and the first day of current employment by (b) the number of calendar days in the current payroll period.

3. Divide the step 1 amount by the total number of payroll periods from step 2.

4. Find the tax in the withholding tax tables on the step 3 amount. Be sure to use the correct payroll period table, and to take into account the employee's withholding allowances.

5. Multiply the total number of payroll periods from step 2 by the step 4 amount.

6. Subtract from the step 5 amount the total tax already withheld during the current term of continuous employment. The excess (if any) is the amount to withhold for the current payroll period.

(See section 31.3402(h)(4)-1(c) of the regulations for examples of the part-year method.)

Other Methods.—You may use other methods and kinds of tables for withholding taxes, as long as the amount of tax withheld is about the same as it would be under the percentage method in this Circular. If you develop an alternative method or table, you should test the full range of wage and allowance situations to be sure that they meet the tolerances contained in the regulations under section 3402(h)(4) of the Code as shown below.

If the tax required to be withheld under the annual percentage rate is—	The annual tax withheld under your method may not differ by more than—
Less than $10	$9.99
$10 or more but under $100	$10 plus 10% of the excess over $10
$100 or more but under $1,000	$19 plus 3% of the excess over $100
$1,000 or more	$46 plus 1% of the excess over $1,000

Income Tax Withholding—Percentage Method

(If you use the wage bracket tables on pages 22 through 41, you may skip this section.)

If you do not want to use the wage bracket tables to figure how much income tax to withhold, you can use a percentage computation based on the table below and the appropriate rate table. This method works for any number of withholding allowances the employee claims.

Percentage Method Income Tax Withholding Table

Payroll Period	One withholding allowance
Weekly	$20.00
Biweekly	40.00
Semimonthly	43.33
Monthly	86.67
Quarterly	260.00
Semiannually	520.00
Annually	1,040.00
Daily or miscellaneous (each day of the payroll period)	4.00

Use these steps to figure the income tax to withhold under the percentage method:

(a) Multiply one withholding allowance (see table above) by the number of allowances the employee claims.

(b) Subtract that amount from the employee's wages.

(c) Determine amount to withhold from appropriate table on pages 20 and 21.

Example.—An unmarried employee is paid $150 weekly. This employee has in effect a Form W-4 claiming one personal allowance and the special withholding allowance. Using the percentage method, figure the income tax as follows:

(1)	Total wage payment . . .		$150.00
(2)	One allowance . . .	$20.00	
(3)	Allowances claimed on Form W-4 (including the special withholding allowance) . .	2	
(4)	Line 2 times line 3		40.00
(5)	Amount subject to withholding (subtract line 4 from line 1)		$110.00
(6)	Tax to be withheld on $110.00 from Table 1—single person, page 20: tax on first $84.00		6.84
	Tax on remainder $26.00 @ 15% . . .		3.90
	Total to be withheld		$ 10.74

To figure the income tax to withhold, you may reduce the last digit of the wages to zero, or figure the wages to the nearest dollar.

Annual Income Tax Withholding.— Figure the income tax to withhold on annual wages under the Percentage Method of Withholding for an annual payroll period. Then prorate the tax back to the payroll period.

Example.—A married person claims three personal allowances and the special withholding allowance. She is paid $170 a week. Multiply the weekly wages by 52 weeks to figure the annual wage of $8,840. Subtract $4,160 (the value of 4 withholding allowances) for a balance of $4,680. The table for the annual payroll period shows the tax to be withheld on $4,680 is 12 percent of the amount over $2,500, for a total of $261.60. Divide the annual tax by 52. The weekly tax is $5.03.

Advance Payment Tables for the Earned Income Credit

A. Percentage Method

If you do not want to use the wage bracket tables to figure how much to include in an employee's wages for the advance EIC payment, you can use the percentage computation based on the appropriate rate table.

Find the employee's gross wages before any deductions in the appropriate table on pages 44 and 45. Please note that there are tables for the same payroll periods that are used for percentage method income tax withholding. There are different tables for (a) single or married employees without spouse filing a certificate, and (b) married employees with both spouses filing certificates. Determine the amount of the advance EIC payment shown in the appropriate table for the amount of wages paid.

B. Wage Bracket Method

If you use the wage bracket tables on pages 46 through 48, figure the advance EIC payment as follows.

Find the employee's gross wages before any deductions, in the appropriate table. There are tables for the same payroll periods that are used for wage bracket income tax withholding. There are different tables for (a) single or married employees without spouse filing a certificate and (b) married employees with both spouses filing certificates. Determine the amount of the advance EIC payment shown in the appropriate table for the amount of wages paid.

Using either method, the number of withholding allowances an employee claims on Form W-4 is not used in figuring the advance EIC payment. Nor does it matter that the employee has claimed exemption from income tax withholding on Form W-4.

You may use other methods and kinds of tables for figuring advance EIC payments as long as the amount of the payment is about the same as it would be using tables in this circular. See page 18 for the maximum tolerance allowed.

Whole Dollar Withholding and Paying

To simplify both the employers' payroll operations and employees' reporting of withheld amounts on their tax returns, the income tax withholding amounts in the wage bracket tables (pages 22 through 41) have been rounded to whole dollar amounts. When employees have wages in excess of the last wage bracket in the table, subject to the 37 percent withholding rate, the withheld tax may be rounded to the nearest dollar.

Similarly, when employers use the percentage method (pages 20 and 21), or an alternative method of income tax withholding, the tax for the pay period may be rounded to the nearest dollar.

The wage bracket tables for advance EIC payments (pages 46 through 48) have also been rounded to whole dollar amounts. If you use the percentage method for advance EIC payments (pages 44 and 45), the payments may be rounded to the nearest dollar.

If rounding is used, it must be used consistently. Withheld tax amounts should be rounded to the nearest whole dollar by (1) dropping amounts under 50 cents, and (2) increasing amounts from 50 to 99 cents to the next higher dollar. For example, $2.30 becomes $2, and $2.80 becomes $3. Such rounding will be deemed to meet the tolerances under section 3402(h)(4).

Tables for Percentage Method of Withholding

(For Wages Paid After December 1984)

TABLE 1—If the Payroll Period With Respect to an Employee is Weekly

(a) SINGLE person—including head of household:

If the amount of wages is: Not over $27 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$27	—$84	12%	—$27
$84	—$185	$6.84 plus 15%	—$84
$185	—$292	$21.99 plus 19%	—$185
$292	—$440	$42.32 plus 25%	—$292
$440	—$556	$79.32 plus 30%	—$440
$556	—$663	$114.12 plus 34%	—$556
$663		$150.50 plus 37%	—$663

(b) MARRIED person—

If the amount of wages is: Not over $48 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$48	—$192	12%	—$48
$192	—$384	$17.28 plus 17%	—$192
$384	—$472	$49.92 plus 22%	—$384
$472	—$578	$69.28 plus 25%	—$472
$578	—$684	$95.78 plus 28%	—$578
$684	—$897	$125.46 plus 33%	—$684
$897		$195.75 plus 37%	—$897

TABLE 2—If the Payroll Period With Respect to an Employee is Biweekly

(a) SINGLE person—including head of household:

If the amount of wages is: Not over $55 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$55	—$168	12%	—$55
$168	—$369	$13.56 plus 15%	—$168
$369	—$585	$43.71 plus 19%	—$369
$585	—$881	$84.75 plus 25%	—$585
$881	—$1,113	$158.75 plus 30%	—$881
$1,113	—$1,325	$228.35 plus 34%	—$1,113
$1,325		$300.43 plus 37%	—$1,325

(b) MARRIED person—

If the amount of wages is: Not over $96 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$96	—$385	12%	—$96
$385	—$767	$34.68 plus 17%	—$385
$767	—$945	$99.62 plus 22%	—$767
$945	—$1,157	$138.78 plus 25%	—$945
$1,157	—$1,369	$191.78 plus 28%	—$1,157
$1,369	—$1,793	$251.14 plus 33%	—$1,369
$1,793		$391.06 plus 37%	—$1,793

TABLE 3—If the Payroll Period With Respect to an Employee is Semimonthly

(a) SINGLE person—including head of household:

If the amount of wages is: Not over $59 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$59	—$182	12%	—$59
$182	—$400	$14.76 plus 15%	—$182
$400	—$633	$47.46 plus 19%	—$400
$633	—$954	$91.73 plus 25%	—$633
$954	—$1,205	$171.98 plus 30%	—$954
$1,205	—$1,435	$247.28 plus 34%	—$1,205
$1,435		$325.48 plus 37%	—$1,435

(b) MARRIED person—

If the amount of wages is: Not over $104 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$104	—$417	12%	—$104
$417	—$831	$37.56 plus 17%	—$417
$831	—$1,023	$107.94 plus 22%	—$831
$1,023	—$1,253	$150.18 plus 25%	—$1,023
$1,253	—$1,483	$207.68 plus 28%	—$1,253
$1,483	—$1,943	$272.08 plus 33%	—$1,483
$1,943		$423.88 plus 37%	—$1,943

TABLE 4—If the Payroll Period With Respect to an Employee is Monthly

(a) SINGLE person—including head of household:

If the amount of wages is: Not over $118 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$118	—$364	12%	—$118
$364	—$800	$29.52 plus 15%	—$364
$800	—$1,267	$94.92 plus 19%	—$800
$1,267	—$1,908	$183.65 plus 25%	—$1,267
$1,908	—$2,411	$343.90 plus 30%	—$1,908
$2,411	—$2,871	$494.80 plus 34%	—$2,411
$2,871		$651.20 plus 37%	—$2,871

(b) MARRIED person—

If the amount of wages is: Not over $208 — *The amount of income tax to be withheld shall be:* 0

Over—	But not over—		of excess over—
$208	—$833	12%	—$208
$833	—$1,663	$75.00 plus 17%	—$833
$1,663	—$2,047	$216.10 plus 22%	—$1,663
$2,047	—$2,507	$300.58 plus 25%	—$2,047
$2,507	—$2,966	$415.58 plus 28%	—$2,507
$2,966	—$3,885	$544.10 plus 33%	—$2,966
$3,885		$847.37 plus 37%	—$3,885

Tables for Percentage Method of Advance EIC Payments

Table 1. WEEKLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$90	11% of wages
$90	$130	$10
$130		$10 less 12 2/9% of wages in excess of $130

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$45	11% of wages
$45	$65	$5
$65		$5 less 12 2/9% of wages in excess of $65

Table 2. BIWEEKLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$190	11% of wages
$190	$251	$21
$251		$21 less 12 2/9% of wages in excess of $251

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$90	11% of wages
$90	$130	$10
$130		$10 less 12 2/9% of wages in excess of $130

Table 3. SEMIMONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$200	11% of wages
$200	$279	$22
$279		$22 less 12 2/9% of wages in excess of $279

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$100	11% of wages
$100	$139	$11
$139		$11 less 12 2/9% of wages in excess of $139

Table 4. MONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$409	11% of wages
$409	$549	$45
$549		$45 less 12 2/9% of wages in excess of $549

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is: Over—	But not over—	*The amount of payment to be made shall be:*
$0	$200	11% of wages
$200	$279	$22
$279		$22 less 12 2/9% of wages in excess of $279