



Office of the State Comptroller
PAYROLL BULLETIN

Subject CHANGES IN FEDERAL TAXES FOR 1987	Bulletin No. P-503
	Date December 30, 1986

Significant changes have been made in federal income tax withholding under the Tax Reform Act of 1986 and these changes are explained below.

CHANGES IN WITHHOLDING TAX CALCULATION

The major changes in Federal Withholding Tax calculations are

- (a) The value of a withholding allowance has been increased from \$41.54 to \$73.08.
- (b) There are new tax tables with significant changes.

Copies of the new tax tables from Circular E, dated January, 1987 are attached.

The new withholding calculations will become effective in Administration payroll checks dated January 7, 1987 and Institution payroll checks of January 15, 1987.

NEW W-4 WITHHOLDING ALLOWANCE CERTIFICATE

Because of the changes to the tax laws, all employees are required to file a new W-4 Withholding Allowance Certificate by October 1, 1987

Each agency must

- (a) obtain a supply of new 1987 W-4's and provide one to each employee.
- (b) maintain records of the new forms as received and change Federal exemptions accordingly on Form AC1040.
- (c) assure that a new Form W-4 is filed by each employee.
- (d) if a new Form W-4 is not received from an employee by October 1, 1987, submit an AC1040, if necessary, to report 1 exemption if the previous W-4 on file indicates single status or 2 exemptions if the status is married.

Forms W-4 and the January, 1987 Circular E Employers Tax Guide are available from IRS by calling the following Toll-free number

1-800-424-3676

Special Instructions For Form W-4 For State Employees

The W-4 contains the instructions an employee needs to complete it.

However, Step 4 on Page 2 - Additional amount you want deducted from each pay (which is to be reported on Line 5 of the W-4) is unnecessary for State employees. The State deducts additional Federal Tax through the reporting of minus exemptions. If Line U is negative (i.e. Line T is larger than Line P), the number on Line U is the number of minus exemptions the employee should claim on Line 4 of the W-4. There is no need to do the additional calculations.

Minus exemptions are reported in Block 503 on the AC1040.

SPECIAL INSTRUCTIONS ON STATE AND CITY WITHHOLDING

The Department of Tax and Finance has issued an Employers Withholding Tax Bulletin regarding the Federal W-4. A copy of this Bulletin is attached.

As they state, you should not change the number of exemptions for State or City withholding when you receive a new W-4 unless an employee specifically requests it.

Form IT-2104 NYS Employee's Withholding Allowance Certificates may be ordered by calling the Toll-free number in the Bulletin.

EMPLOYEES CLAIMING TAX EXEMPT STATUS

As in the past, employees claiming tax exempt status must file a new Form W-4 by February 15. Be sure that the forms filed are the new 1987 Form W-4. There have been some changes in the law, so employees should read the W-4 carefully before completing.

During the week of January 12 you will receive a list of your employees who are claiming tax exempt status. If a new 1987 W-4 is not submitted to you by February 15, an AC1040 must be submitted reporting 1 exemption if the employee's status on the previous W-4 is single and 2 exemptions, if married.

Also, if an employee submits a new W-4 for tax exempt status, and he or she is a student, an AC1040 must be submitted with an 'S' in Block 550, if this code is not reported on the listing. To cancel Student Status, report 'C' in Block 550.

REPORTING OF W-4 INFORMATION TO IRS

The State must submit certain information to IRS quarterly for employees who (a) claim more than 10 withholding allowances (reduced from 14) or (b) claim exemption from withholding when his or her wages would normally exceed \$200 per week. The Office of the State Comptroller does this reporting on magnetic tape.

If you are notified by IRS that an employee's W-4 is invalid, the number of allowances which an employee may validly claim will be shown on the Notice. Submit the change on an AC1040. If the employee later gives you a new W-4, accept the form and submit an AC1040 for the change only if (a) the employee does not claim tax exempt (and on the previous invalid form did) or (b) the number of allowances is the same or less than the number on the IRS Notice. Disregard all other W-4's. If an employee gives you a W-4 with an explanation of why it should be accepted, forward the W-4 to the IRS office shown on the original Notice for their review. (See Page 7 of the 1987 Circular E for full instructions.)

EARNED INCOME CREDIT

The earned income credit (EIC) is substantially increased in 1987. The maximum EIC in 1987 will be \$851.20 and employees whose earned income for the year is expected to be \$15,432 or less may be eligible.

To claim the Advance Payment of the EIC, an employee must file a W-5 each year. (See Page 12 of the 1987 Circular E for full instructions on eligibility.)

The EIC is reported on an AC1040 with Code 542.

Questions concerning this Bulletin should be directed to the Payroll Planning Office at (518)474-1246.

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1

Tables for Percentage Method of Withholding

(For Wages Paid After December 1986)

Remember: The wage amounts on this page are after withholding allowances have been subtracted.

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

(a) SINGLE person—including head of household:				(b) MARRIED person—			
If the amount of wages is:		The amount of income tax to be withheld shall be:		If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over \$12		.0		Not over \$36		.0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$12	—\$47	.11%	—\$12	\$36	—\$93	.11%	—\$36
\$47	—\$335	\$3.85 plus 15%	—\$47	\$93	—\$574	\$6.27 plus 15%	—\$93
\$335	—\$532	\$47.05 plus 28%	—\$335	\$574	—\$901	\$78.42 plus 28%	—\$574
\$532	—\$1,051	\$102.21 plus 35%	—\$532	\$901	—\$1,767	\$169.98 plus 35%	—\$901
\$1,051		\$283.86 plus 38.5%	—\$1,051	\$1,767		\$473.08 plus 38.5%	—\$1,767

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

(a) SINGLE person—including head of household:				(b) MARRIED person—			
If the amount of wages is:		The amount of income tax to be withheld shall be:		If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over \$25		.0		Not over \$72		.0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$25	—\$94	.11%	—\$25	\$72	—\$187	.11%	—\$72
\$94	—\$671	\$7.59 plus 15%	—\$94	\$187	—\$1,148	\$12.65 plus 15%	—\$187
\$671	—\$1,063	\$94.14 plus 28%	—\$671	\$1,148	—\$1,802	\$156.80 plus 28%	—\$1,148
\$1,063	—\$2,102	\$203.90 plus 35%	—\$1,063	\$1,802	—\$3,533	\$339.92 plus 35%	—\$1,802
\$2,102		\$567.55 plus 38.5%	—\$2,102	\$3,533		\$945.77 plus 38.5%	—\$3,533

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

(a) SINGLE person—including head of household:				(b) MARRIED person—			
If the amount of wages is:		The amount of income tax to be withheld shall be:		If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over \$27		.0		Not over \$78		.0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$27	—\$102	.11%	—\$27	\$78	—\$203	.11%	—\$78
\$102	—\$727	\$8.25 plus 15%	—\$102	\$203	—\$1,244	\$13.75 plus 15%	—\$203
\$727	—\$1,152	\$102.00 plus 28%	—\$727	\$1,244	—\$1,953	\$169.90 plus 28%	—\$1,244
\$1,152	—\$2,277	\$221.00 plus 35%	—\$1,152	\$1,953	—\$3,828	\$368.42 plus 35%	—\$1,953
\$2,277		\$614.75 plus 38.5%	—\$2,277	\$3,828		\$1,024.67 plus 38.5%	—\$3,828

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

(a) SINGLE person—including head of household:				(b) MARRIED person—			
If the amount of wages is:		The amount of income tax to be withheld shall be:		If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over \$53		.0		Not over \$155		.0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$53	—\$203	.11%	—\$53	\$155	—\$405	.11%	—\$155
\$203	—\$1,453	\$16.50 plus 15%	—\$203	\$405	—\$2,488	\$27.50 plus 15%	—\$405
\$1,453	—\$2,303	\$204.00 plus 28%	—\$1,453	\$2,488	—\$3,905	\$339.95 plus 28%	—\$2,488
\$2,303	—\$4,553	\$442.00 plus 35%	—\$2,303	\$3,905	—\$7,655	\$736.71 plus 35%	—\$3,905
\$4,553		\$1,229.50 plus 38.5%	—\$4,553	\$7,655		\$2,049.21 plus 38.5%	—\$7,655

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:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$114	14% of wages
\$114	\$136	\$16
\$136	. . . . .	\$16 less 10% of wages in excess of \$136

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$57	14% of wages
\$57	\$68	\$8
\$68	. . . . .	\$8 less 10% of wages in excess of \$68

Table 2. BIWEEKLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$228	14% of wages
\$228	\$273	\$32
\$273	. . . . .	\$32 less 10% of wages in excess of \$273

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$114	14% of wages
\$114	\$136	\$16
\$136	. . . . .	\$16 less 10% of wages in excess of \$136

Table 3. SEMIMONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$250	14% of wages
\$250	\$292	\$35
\$292	. . . . .	\$35 less 10% of wages in excess of \$292

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$121	14% of wages
\$121	\$151	\$17
\$151	. . . . .	\$17 less 10% of wages in excess of \$151

Table 4. MONTHLY Payroll Period

(a) SINGLE or MARRIED Without Spouse Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$500	14% of wages
\$500	\$585	\$70
\$585	. . . . .	\$70 less 10% of wages in excess of \$585

(b) MARRIED With Both Spouses Filing Certificate

If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made shall be:
Over—	But not over—	
\$0	\$250	14% of wages
\$250	\$292	\$35
\$292	. . . . .	\$35 less 10% of wages in excess of \$292

EMPLOYERS WITHHOLDING TAX BULLETIN FOR THE STATE OF NEW YORK AND CITIES OF NEW YORK AND YONKERS

IMPORTANT: Changes to the federal W-4 Withholding Tax Form and Calculations may cause you or your employees to make inappropriate changes to their New York State and local withholding taxes. Please read the following carefully.

You may have recently received copies of the new federal form W-4 (Employee's Withholding Allowance Certificate) and the revised methods for calculating federal employee withholding taxes. In the past, most employees properly used the same number of allowances for their State and local withholding as for their federal withholding.

This year, however, federal tax reform has radically changed the federal withholding tables and methods for calculating employee withholding allowances. For many of your employees, these changes will result in fewer federal withholding allowances. Following the past practice of using the same number of allowances for their State and local withholding may lead to overwithholding for these taxes.

Therefore, to avoid overpayments in State and local withholding taxes because of these federal changes, we are instructing employers not to automatically change the number of New York State and local withholding allowances to be the same as the new federal allowances. Unless otherwise instructed by your employee, leave State allowances at the existing 1986 level.

New employees and those whose household circumstances have changed significantly in the past year are urged to file a separate New York Form IT-2104, *Employee's Withholding Allowance Certificate*. Employees should expect to claim a somewhat greater number of withholding allowances for New York taxes than for federal taxes if they claim allowances for estimated deductions (itemized deductions, alimony payments, IRA's, etc.).

The Governor and State Legislature are working diligently to prevent any automatic increases in State taxes that may be caused by federal tax reform. Your cooperation will help ensure that your employees will not mistakenly be overwithheld.

Additional information on State and local withholding tax is available by phoning our toll-free information hotline:

1-800-342-3536

or by writing to:

**Taxpayer Services
Department of Taxation and Finance
W. A. Harriman Campus
Albany, New York 12227**

