



Office of the State Comptroller
PAYROLL BULLETIN

Subject Changes in Federal Withholding and Earned Income Credit and Federal and State Withholding Certificates	Bulletin No. P-592
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FEDERAL

Federal Income Withholding Tax tables have changed effective for Administration checks of January 4, 1989 and Institution checks of January 12, 1989. The new tax tables reflect adjustments for inflation. Also the value of a withholding allowance has increased—for weekly to \$38.46, biweekly to \$76.92 and monthly to \$166.67. A copy of the new tax tables from Circular E, dated January 1989 are attached.

The Internal Revenue Service has revised Form W-4 for 1989. Payroll Offices should have an ample supply of the 1989 W-4 on hand. To request a supply contact the IRS at the toll free number, 1-800-424-3676.

A change has been made in the instructions for claiming exemption from withholding on the 1989 W-4. The new conditions for claiming exempt status are clearly stated on line 6 of the Withholding Allowance Certificate (W-4).

EARNED INCOME CREDIT (EIC)

For 1989, employees whose income is \$19,340 or less are eligible for the earned income credit, and the maximum credit will be \$910.00. To receive the advance payment the employee must complete W-5, Earned Income Credit Advance Payment Certificate. Eligible employees must complete a new certificate each year. Copies of the W-5 may be obtained from the IRS.

STATE

The New York State Tax Reform and Reduction Act of 1987 enters its third year for 1989. It is important that State employees review their withholding tax situations because of changes in 1988 and 1989. Effective in 1988, personal allowances were eliminated and some employees should reduce their number of allowances to reflect this change. In 1989 employees who claim allowances for itemized deductions in excess of the standard deduction may also need to reduce the number of allowances due to increases in the standard deduction. The State Withholding Allowance Certificate (IT2104), may be obtained by calling the New York State Tax and Finance toll free number, 1-800-462-8100.

Although there is no requirement that every employee refile Form W-4 or IT2104 in 1989, you should inform your employees of the need to review their current withholding situations for both Federal and State taxes to be sure enough tax is being withheld.

Since Federal and State Withholding requirements are now different, all employees wishing to change their allowances (and all new employees) should complete both a W-4 and an IT2104.

Special classes of employment and special types of payment	Treatment under different employment taxes		
	Income tax withholding	Social security	Federal unemployment
Wage limit:			
a. Maximum of taxable wages paid each employee by same employer in same calendar year.	Unlimited	\$48,000 for 1989; \$45,000 for 1988. (Limit for new owner of business is reduced by predecessor's wage payments in certain cases.)	\$7,000
b. Individuals concurrently employed by two or more related corporations and paid through a common paymaster that is one of the corporations. Please see Employment Tax Regulations sections 31.3121(s)-1 and 31.3306(p)-1 for details.	Taxable	The related corporations are considered to be a single employer for the purposes of paying wages subject to social security and FUTA taxes. (Limit for new owner of business is reduced by predecessor's wage payments in certain cases.)	
Workmen's compensation.	Exempt	Exempt	Exempt

Income Tax Withholding—Percentage Method

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	\$38.46
Biweekly	76.92
Semimonthly	83.33
Monthly	166.67
Quarterly	500.00
Semiannually	1,000.00
Annually	2,000.00
Daily or miscellaneous (each day of the payroll period)	7.69

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 22 and 23.
- Example.**—An unmarried employee is paid \$450 weekly. This employee has in effect a Form W-4 claiming two withholding allowances. Using the percentage method, figure the income tax as follows:
- | | |
|--|-----------------|
| (1) Total wage payment | \$450.00 |
| (2) One allowance | \$38.46 |
| (3) Allowances claimed on Form W-4 | 2 |
| (4) Line 2 times line 3 | 76.92 |
| (5) Amount subject to withholding (subtract line 4 from line 1) | \$373.08 |
| (6) Tax to be withheld on \$373.08 from Table 1—single person, page 22 | 52.81 |
| Total to be withheld | \$ 52.81 |

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 four withholding allowances. She is paid \$270 a week. Multiply the weekly wages by 52 weeks to figure the annual wage of \$14,040. Subtract \$8,000 (the value of 4 withholding allowances) for a balance of \$6,040. Using the table for the annual payroll period gives tax of \$426.00 to be withheld. Divide the annual tax by 52. The weekly tax is \$8.19.

Income Tax Withholding—Wage Bracket Method

Note: If you cannot use the wage bracket tables because wages exceed the amount shown in the last bracket of the table, use the percentage method of withholding described on this page. Be sure to reduce wages by the amount of total withholding allowances before using the percentage method tables on pages 22 and 23.

Under the wage bracket method, find the proper table (on pages 24 through 43) for your payroll period and the employee's marital status as shown on his or her Form W-4. Then, based on the number of withholding allowances claimed on the Form W-4 and the amount of wages, find the amount of tax to withhold. If your employee is claiming more than 10 withholding allowances, see the following section.

Adjusting Wage Bracket Withholding for Employees Claiming More Than 10 Withholding Allowances.

Note: 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.

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* on this page.)
- (b) Subtract the result from the employee's wages.
- (c) On this amount, find and withhold the tax in the column for 10 allowances.

This is a voluntary method. If you use the wage bracket tables, you may 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 Regulations section 31.3402(h)(1)-1.

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

Tables for Percentage Method of Withholding

(For Wages Paid After December 1988)

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 (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$21 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$21	—\$378 . . . . .	.15%	—\$21
\$378	—\$885	\$.53.55 plus 28%	—\$378
\$885	—\$2,028	\$.195.51 plus 33%	—\$885
\$2,028	. . . . .	\$.572.70 plus 28%	—\$2,028

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$62 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$62	—\$657 . . . . .	.15%	—\$62
\$657	—\$1,501	\$.89.25 plus 28%	—\$657
\$1,501	—\$3,695	\$.325.57 plus 33%	—\$1,501
\$3,695	. . . . .	\$.1,049.59 plus 28%	—\$3,695

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 (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$42 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$42	—\$756 . . . . .	.15%	—\$42
\$756	—\$1,769	\$.107.10 plus 28%	—\$756
\$1,769	—\$4,055	\$.390.74 plus 33%	—\$1,769
\$4,055	. . . . .	\$.1,145.12 plus 28%	—\$4,055

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$123 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$123	—\$1,313 . . . . .	.15%	—\$123
\$1,313	—\$3,002	\$.178.50 plus 28%	—\$1,313
\$3,002	—\$7,389	\$.651.42 plus 33%	—\$3,002
\$7,389	. . . . .	\$.2,099.13 plus 28%	—\$7,389

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 (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$46 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$46	—\$819 . . . . .	.15%	—\$46
\$819	—\$1,917	\$.115.95 plus 28%	—\$819
\$1,917	—\$4,393	\$.423.39 plus 33%	—\$1,917
\$4,393	. . . . .	\$.1,240.47 plus 28%	—\$4,393

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$133 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$133	—\$1,423 . . . . .	.15%	—\$133
\$1,423	—\$3,252	\$.193.50 plus 28%	—\$1,423
\$3,252	—\$8,005	\$.705.62 plus 33%	—\$3,252
\$8,005	. . . . .	\$.2,274.11 plus 28%	—\$8,005

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 (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$92 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$92	—\$1,638 . . . . .	.15%	—\$92
\$1,638	—\$3,833	\$.231.90 plus 28%	—\$1,638
\$3,833	—\$8,786	\$.846.50 plus 33%	—\$3,833
\$8,786	. . . . .	\$.2,480.99 plus 28%	—\$8,786

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$267 . . . . .		.0	
<i>Over—</i>	<i>But not over—</i>		<i>of excess over—</i>
\$267	—\$2,846 . . . . .	.15%	—\$267
\$2,846	—\$6,504	\$.386.85 plus 28%	—\$2,846
\$6,504	—\$16,010	\$.1,411.09 plus 33%	—\$6,504
\$16,010	. . . . .	\$.4,548.07 plus 28%	—\$16,010

(For Wages Paid After December 1988)

TABLE 5—If the Payroll Period With Respect to an Employee Is Quarterly

(a) SINGLE person—including head of household:

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$275		0	
Over—	But not over—		of excess over—
\$275	—\$4,913	15%	—\$275
\$4,913	—\$11,500	\$695.70 plus 28%	—\$4,913
\$11,500	—\$26,358	\$2,540.06 plus 33%	—\$11,500
\$26,358	. . . . .	\$7,443.20 plus 28%	—\$26,358

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$800		0	
Over—	But not over—		of excess over—
\$800	—\$8,538	15%	—\$800
\$8,538	—\$19,513	\$1,160.70 plus 28%	—\$8,538
\$19,513	—\$48,030	\$4,233.70 plus 33%	—\$19,513
\$48,030	. . . . .	\$13,644.31 plus 28%	—\$48,030

TABLE 6—If the Payroll Period With Respect to an Employee Is Semiannual

(a) SINGLE person—including head of household:

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$550		0	
Over—	But not over—		of excess over—
\$550	—\$9,825	15%	—\$550
\$9,825	—\$23,000	\$1,391.25 plus 28%	—\$9,825
\$23,000	—\$52,715	\$5,080.25 plus 33%	—\$23,000
\$52,715	. . . . .	\$14,886.20 plus 28%	—\$52,715

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$1,600		0	
Over—	But not over—		of excess over—
\$1,600	—\$17,075	15%	—\$1,600
\$17,075	—\$39,025	\$2,321.25 plus 28%	—\$17,075
\$39,025	—\$96,060	\$8,467.25 plus 33%	—\$39,025
\$96,060	. . . . .	\$27,288.80 plus 28%	—\$96,060

TABLE 7—If the Payroll Period With Respect to an Employee Is Annual

(a) SINGLE person—including head of household:

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$1,100		0	
Over—	But not over—		of excess over—
\$1,100	—\$19,650	15%	—\$1,100
\$19,650	—\$46,000	\$2,782.50 plus 28%	—\$19,650
\$46,000	—\$105,430	\$10,160.50 plus 33%	—\$46,000
\$105,430	. . . . .	\$29,772.40 plus 28%	—\$105,430

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to be withheld shall be:	
Not over \$3,200		0	
Over—	But not over—		of excess over—
\$3,200	—\$34,150	15%	—\$3,200
\$34,150	—\$78,050	\$4,642.50 plus 28%	—\$34,150
\$78,050	—\$192,120	\$16,934.50 plus 33%	—\$78,050
\$192,120	. . . . .	\$54,577.60 plus 28%	—\$192,120

TABLE 8—If the Payroll Period With Respect to an Employee Is a Daily Payroll Period or a Miscellaneous Payroll Period

(a) SINGLE person—including head of household:

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 be withheld per day shall be:	
Not over \$4.20		0	
Over—	But not over—		of excess over—
\$4.20	—\$75.60	15%	—\$4.20
\$75.60	—\$176.90	\$10.71 plus 28%	—\$75.60
\$176.90	—\$405.50	\$39.07 plus 33%	—\$176.90
\$405.50	. . . . .	\$114.51 plus 28%	—\$405.50

(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 be withheld per day shall be:	
Not over \$12.30		0	
Over—	But not over—		of excess over—
\$12.30	—\$131.30	15%	—\$12.30
\$131.30	—\$300.20	\$17.85 plus 28%	—\$131.30
\$300.20	—\$738.90	\$65.14 plus 33%	—\$300.20
\$738.90	. . . . .	\$209.91 plus 28%	—\$738.90