

State of Collaboration

Paycheck Taxes Workshop

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NYS COMPTROLLER

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TAX WITHHOLDINGS

- ▶ Employers are required to withhold taxes
- ▶ Social Security and Medicare Flat Rates
- ▶ Income Taxes
 - ▶ Completion of withholding forms
 - ▶ New York State Payroll Online (NYSPO)



HOW TO CALCULATE A PAYCHECK

- **How are taxes withheld**
 - Gross earnings less your pre tax deductions = Taxable Gross
 - Payroll Bulletin No. 1454



HOW TO CALCULATE A PAYCHECK

- **Percentage Method vs Wage Bracket Method**
 - OSC uses the Percentage Method
 - Use of the Percentage Method on annual basis based on withholding status and number of allowances
 - Percentage Method tables are found in ***Publication 15-Circular E, Employer's Tax Guide*** on the IRS website and ***NYS-50-T-NYS*** on the NY State Department of Tax and Finance website



HOW TO CALCULATE A PAYCHECK

Federal Income Taxes

Biweekly Gross Pay

Minus: Allowable Pre-Tax Deductions (refer to Bulletin 1454 Attach B)

Equals: Federal taxable Gross

x 26 PPs

Minus: Annual Percentage Method per w/h allowance (\$4,200 per allowance)

Equals: Annualized Taxable Gross

Find: Low gross from tax table (Column A) (row where Annualized TG is greater than the low gross but less than the next row(Column B))

Add: ((Annualized TG – Low gross) * Tax percentage on row(Column D)) + Additional withholding on percentage(Column C)

Equals: Annualized Federal Tax

/ 26 PPs

Federal Income Tax Per Paycheck



HOW TO CALCULATE A PAYCHECK

State Income Taxes

Biweekly Gross Pay

Minus: Allowable Pre-Tax Deductions

Equals: State taxable Gross

x 26 PPs

Minus: Deduction Allowance and Exemptions (Table A- NYS-50-T-NYS)

Equals: State Annualized Taxable Gross

Find: Low gross from Annual Tax Rate Schedule for the appropriate marital status (row where State Annualized TG is greater than the low gross but less than the next row)

Add: ((State Annualized TG – Low gross) * Tax percentage on row) + Additional withholding on percentage

Equals: Annualized State Tax

/ 26 PPs

State Income Tax Per Paycheck



Paycheck Exercise

Assume the following:

- EE is a Senior Budget Examiner
- Lives in Albany
- Tier 4 (3%)
- Withholding Status: Married
- Federal W/H Allowances: 2
- State W/H Allowances 1
- EE has reached SS Max

Use the following Earnings and Deduction Information:

- RGS: \$5,569.69
- Deferred Comp: \$268.84
- PEF Union Dues: \$50.13
- Pre-tax Health insurance: \$192.90
- ERS Retirement: \$167.09
- Parking: \$16.75

Calculate the following:

- Federal taxes
- NYS taxes
- SS/Medicare Taxes
- Net Pay



Paycheck Exercise

	<u>Federal Tax</u>	<u>State Tax</u>	<u>SocSec</u>	<u>Med</u>
BW Gross Minus Pre Tax Ded	\$5,569.69	\$5,569.69	\$5,569.69	\$5,669.69
	192.90 Health 268.84 Def Comp 167.09 ERS	192.90 Health 268.84 Def Comp	192.90 Health	192.90 Health
	<hr/>	<hr/>	<hr/>	<hr/>
	\$4940.86 x 26 PPs	\$5107.95 x 26 PPs	\$5376.79	\$5376.79 x .0145
Annual Tax Gross Minus Allowances	\$128,462.36 8400.00	\$132,806.70 8950.00	At Max no calc	\$ 77.96
Minus Low Gross	<hr/>	<hr/>		
	\$120,062.36 - 90,750.00	\$123,856.70 - 107,650.00		
Percentage Of Tax	<hr/>	<hr/>		
	\$29,312.36 x .22	\$16,206.70 x .0814		
Add Addl W/H on %	<hr/>	<hr/>		
	\$6448.72 + 9,086.00	\$1,319.23 + 6,599.00		
Annualized Tax	<hr/>	<hr/>		
	\$15,534.72 / 26 PPs	\$7,918.23 / 26 PPs		
Tax Per Pay Period	<hr/>	<hr/>		
	\$597.49	\$304.55		



Paycheck Exercise

Paycheck Calculation

Biweekly gross	\$5,569.69
Health Insurance	- 192.90
Deferred Comp	- 268.84
ERS Contribution	- 167.09
Union Dues	- 50.13
Parking	- 16.75
Federal Tax	- 597.49
State Tax	- 304.55
Social Sec Tax	- 0
Medicare Tax	- 77.96
NET PAY	\$3,893.98



SUPPLEMENTAL WAGES

Background

Supplemental Wage payments as well as income tax withholding methods to be applied to Supplemental Wages are discussed in:

- IRS Publication 15, Section 17 - How To Use the Income Tax Withholding Tables
- 26 Code of Federal Regulations 31.3402(g)-1.
- Bulletin No. 1575



SUPPLEMENTAL WAGES

Background (con't)

IRS Definitions

- “**Supplemental wages** are all wages paid by an employer that are not regular wages. They include, but are not limited to, bonuses, payments for accumulated sick leave, severance pay, awards, back pay, retroactive pay increases, and payments for nondeductible moving expenses.” Supplemental wages include wage payments made without regard to an employee's payroll period, but also may include payments made for a payroll period.”



SUPPLEMENTAL WAGES

Background (con't)

IRS Definitions

- “As distinguished from Supplemental Wages, **regular wages** are amounts that are paid at a regular hourly, daily, or similar periodic rate (and not an overtime rate) for the current payroll period or at a predetermined fixed determinable amount for the current payroll period. Thus, among other things, wages that vary from payroll period to payroll period ... are not regular wages.”



SUPPLEMENTAL WAGES

Background (con't)

Permitted exceptions

- Treasury (IRS) Regulations section 31.3402(g) - 1(a)(1)(iv) provide an option for overtime pay to be treated as regular wages Pursuant to this section, OSC will treat overtime pay as Regular Wages.



SUPPLEMENTAL WAGES

Earnings Codes

All earnings codes within PayServ have been reviewed to determine if they should be classified as Supplemental Wages pursuant to IRS requirements.

Some examples are:

- BSA- Back Salary Awards
- LLS- Longevity Lump Sum Payment
- RRS – Retro Regular Pay Salaried



SUPPLEMENTAL WAGES

Tax Withholding

Regular Wages

In PayServ, Income tax withholding on Regular Wages is calculated and withheld from paychecks using the Percentage (Annualized) Method

Supplemental Wages

The IRS identifies two allowable income tax withholding methods for Supplemental Wages

- Optional Flat Rate Method
- Aggregate Method



SUPPLEMENTAL WAGES

Tax Withholding (con't)

Optional Flat Rate Method

Applies a flat rate percentage (22% for Federal, 9.62% for NYS, 4.25% for NYC, 1.61135% for Yonkers Residents and .05% for Yonkers Non-Residents) to the Supplemental Wages to calculate the tax withholding

Aggregate Method

Combines regular and Supplemental Wages to calculate the tax withholding. OSC uses this method.



How to Calculate Supplemental Wages

Supplemental wage in the same paycheck

- Taxes are calculated the same way you would for a regular paycheck
- Add Regular and supplemental wages together

Supplemental Wages in a separate check

1. Calculate the taxes on the regular earnings
2. Then calculate the taxes on all earnings from both checks
3. Difference of the 2 calculations is the tax on the Supplemental earning check



Supplemental Paycheck Exercise

Take the information from the previous exercise. The employee is also receiving an LLS payment in a separate check for \$1250.

Calculate the following for the separate check:

- Federal taxes - NYS taxes - SS/Medicare Taxes - Net Pay

****Note**** No deductions are taken from the LLS payment and Social Security and Medicare are calculated separately on each check



Supplemental Paycheck Exercise

Step 1- Done in prior exercise

Step 2-

Federal

\$6819.69
 - 192.90 Health
 - 268.84 Deferred Comp
 - 167.09 ERS
 6190.86
 x 26 PPs
 160962.36
 - 8400.00 2 Allowances
 152562.36
 - 90750.00
 61812.36
 x .22
 13598.72
 + 9086.00
 22684.72
 / 26 PPs
\$872.49

State

6819.69
 - 192.90 Health
 - 268.84 Deferred Comp
 6357.95
 x 26 PPs
 165306.70
 - 8950.00 1 Allowance
 156356.70
 - 107650.00
 48706.70
 x .0814
 3964.73
 + 6599.00
 10563.73
 / 26 PPs
\$406.30



Supplemental Paycheck Exercise

Step 3

All earnings

Minus Tax on

Regular Earnings

Federal

\$872.49

- 597.49

\$275.00

Social Security

No Calc needed

already at max

State

\$406.30

- 304.55

\$101.75

Medicare

1250.00

x .0145

\$18.13 on LLS



Supplemental Paycheck Exercise

LLS Paycheck Calculation

LLS Earning	\$1250.00
Federal Tax	- 275.00
State Tax	- 101.75
Social Sec	- 0
Medicare Tax	- <u>18.13</u>
NET PAY	\$855.12



QUESTIONS?

Email: TaxandCompliance@osc.ny.gov

Thank you!

