

January 11, 2012

Payroll Letter 957
Supersedes payroll letter 951

To: Agency HR Specialists, Payroll Specialists, Budget Specialists, Benefits Specialists, Labor Relations Specialists, and Regulatory Requirements Specialists of All Departments, Institutions, Boards and Commissions

From: Janet M. Wampler, State Payroll Manager

Subject: Federal Withholding Taxes for Wages Paid in 2012

Federal withholding tax and personal exemption amounts have changed for wages paid in 2012. OAKS uses an annual percentage method of withholding.

The calculation for federal withholding taxes is as follows:

1. Employees' gross pay, less:

- The number of exemptions (i.e. allowances) claimed times the exemption amount as follows:
 - Bi-weekly payroll, deduct \$146.15 per exemption claimed
 - Monthly payroll, deduct \$316.67 per exemption claimed
- Employee's share of retirement (RETIRE deductions)
- Employee's share of hospitalization (HEALTH deductions)
- Deferred compensation amount (DEFCMP deductions)
- Dependent Care Spending Account (DCBBEN deductions)
- Health Care Spending Account (FLXHSA deductions)
- Pre-tax commuter and parking benefits (TRNSTP and COMQTP deductions)
- CSD Deduction
- Adoption

PLUS

- Group Term Life Insurance exceeding \$50,000 (GPLIFE deductions)
- \$3.00 a day commute policy (CARTX TRC Code)
- Moving expenses, award, taxable meals, taxable tuition
- Take Charge/Live Well incentive payment

2. Using this figure, determine an annual salary by multiplying by 26 if paid biweekly, or 12 if paid monthly to calculate an annual taxable amount.
3. Utilizing the annual taxable amount, reference the appropriate table on the next page to determine federal income tax.
4. Divide the tax amount by 26 (biweekly) or 12 (monthly) to derive the pay period withholding tax amount. The results of these computations are rounded to the nearest penny. Note: If there is an additional withholding amount, it would need to be added to this total.

Single Person

Annual Earnings		
<u>Over</u>	<u>But Not Over</u>	<u>Amount of Withholding Tax</u>
\$0	\$2,150	None
\$2,150	\$10,850	10% of excess over \$2,150
\$10,850	\$37,500	\$870.00 plus 15% of excess over \$10,850
\$37,500	\$87,800	\$4,867.50 plus 25% of excess over \$37,500
\$87,800	\$180,800	\$17,442.50 plus 28% of excess over \$87,800
\$180,800	\$390,500	\$43,482.50 plus 33% of excess over \$180,800
\$390,500		\$112,683.50 plus 35% of excess over \$390,500

Married Person

Annual Earnings		
<u>Over</u>	<u>But Not Over</u>	<u>Amount of Withholding Tax</u>
\$0	\$8,100	None
\$8,100	\$25,500	10% of excess over \$8,100
\$25,500	\$78,800	\$1,740.00 plus 15% of excess over \$25,500
\$78,800	\$150,800	\$9,735.00 plus 25% of excess over \$78,800
\$150,800	\$225,550	\$27,735.00 plus 28% of excess over \$150,800
\$225,550	\$396,450	\$48,665.00 plus 33% of excess over \$225,550
\$396,450		\$105,062.00 plus 35% of excess over \$396,450

Note – The flat rate for wage withholding for supplemental wage (lump sum) payments remains 25%. (an example is lump sum conversions)

Examples of calculating the tax are provided on Attachment 1

ATTACHMENT 1

John Doe claims "S3" on his W-4. His hourly rate is \$25.00 and he worked 80 hours during the biweekly pay period. He is enrolled in Family health care.

1. $\$25.00 \times 80 \text{ hours} = \$2,000$
2. Less:
 - a. 3 exemptions $\times \$146.15 = \438.45 (round to nearest penny)
 - b. Retirement = $\$2,000 \times 10\% = \200.00
 - c. Health Care Deduction = $\$85.50$
 - d. Deferred Compensation = $\$100.00$
 - e. Dependent Care Spending Account = $\$10.00$
 - f. Health Care Spending Account = $\$10.00$
 - g. Pre-tax commuter and parking benefits $\$50.00$
= $\$1106.05$
3. $\$1106.05 \times 26 \text{ (pays)} = \mathbf{\$28,757.30}$ (Federal Taxable Gross)

Using Tax Chart for "Single Person" his tax is calculated as follows:

4. Base Tax Amount	\$ 870.00
Plus: $\$28,757.30 - \$10,850 = \$17,907.30 \times 15\% =$	<u>\$ 2686.10</u>
Subtotal	\$ 3556.10
Pay Period Tax ($\$3556.10/26$)	\$ 136.77

Jane Doe claims "M4" on her W-4. Her hourly rate is \$22.00 and she will be paid for 168 hours for the month. She is enrolled in family health care.

1. $\$22.00 \times 168 \text{ hours} = \$3,696$
2. Less:
 - a. 4 exemptions $\times \$316.67 = \1266.68 (rounded to nearest penny)
 - b. Retirement = $\$3696 \times 10\% = \369.60
 - c. Health Care Deduction = $\$85.50$
 - d. Deferred Compensation = $\$100.00$
 - e. Dependent Care Spending Account = $\$25.00$
 - f. Health Care Spending Account = $\$10.00$
 - g. Pre-tax commuter and parking benefits $\$50.00$
= $\$1,789.22$
3. $\$1,789.22 \times 12 \text{ (pays)} = \mathbf{\$21,470.64}$ (Federal Taxable Gross)

Using Chart for "Married Person" her tax is calculated as follows:

4. Base Tax Amount	\$ 0
Plus: $\$21,470.64 - \$8,100 = \$13,370.64 \times 10\% =$	<u>\$1337.06</u>
Subtotal	\$1337.06
Pay Period Tax ($\$1337.06/12$)	\$ 111.42