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June 6, 2003

**Payroll Letter 839**  
Supersedes Payroll Letter 831

To: Payroll Officers, Personnel Officers, Labor Relations Officers and Fiscal Officers of all Departments, Institutions, Boards and Commissions

From: Dan R. Parks, State Payroll Administrator

Subject: Federal Withholding Taxes – Effective for Wages Paid after May 31, 2003

On May 28, 2003, President Bush signed into law the Jobs and Growth Tax Relief Reconciliation Act of 2003. Federal withholding tax tables have changed and the personal exemptions have increased. The withholding tables are effective immediately. Our system has been modified to reflect the new tax tables for any wages paid after May 31, 2003. Additionally, the flat rate for wage withholding for supplemental wage (lump sum) payments was reduced from 27% to 25%.

Taxes are computed on the employees' gross pay less:

1. The number of exemptions claimed times the exemption amount.
  - a. Bi-weekly Payroll - deduct \$ 119.23 per exemption claimed.
  - b. Monthly Payroll - deduct \$ 258.33 per exemption claimed.
2. Employees share of retirement.
3. Employees share of hospitalization.
4. Deferred compensation amount.
5. Dependent Care Spending Account (DCSA) amount.
6. Pre-tax commuter benefits (see PL 810).
7. Gross inflating items which may not be subject to federal tax including:
  - a. \$3.00 a day commute policy (see corrected PL 572).
  - b. Moving expenses (see corrected PL 576).
  - c. Group Term Life Insurance exceeding \$50,000 (see PL 578).

**Biweekly Payroll - Single Person**

<u>Earnings</u>		<u>Amount of Withholding</u>		
<u>Over</u>	<u>But Not Over</u>			
\$ 0	\$ 102		None	
\$ 102	\$ 373		10%	of excess over \$ 102
\$ 373	\$ 1,185	\$ 27.10	plus 15%	of excess over \$ 373
\$ 1,185	\$ 2,635	\$ 148.90	plus 25%	of excess over \$ 1,185
\$ 2,635	\$ 5,719	\$ 511.40	plus 28%	of excess over \$ 2,635
\$ 5,719	\$ 12,354	\$ 1,374.92	plus 33%	of excess over \$ 5,719
\$12,354		\$ 3,564.47	plus 35%	of excess over \$ 12,354

**Biweekly Payroll - Married Person**

<u>Earnings</u>		<u>Amount of Withholding</u>		
<u>Over</u>	<u>But Not Over</u>			
\$ 0	\$ 308	None		
\$ 308	\$ 858	10%	of excess over	\$ 308
\$ 858	\$ 2,490	\$ 55.00 plus 15%	of excess over	\$ 858
\$ 2,490	\$ 4,540	\$ 299.80 plus 25%	of excess over	\$ 2,490
\$ 4,540	\$ 7,137	\$ 812.30 plus 28%	of excess over	\$ 4,540
\$ 7,137	\$ 12,542	\$ 1,539.46 plus 33%	of excess over	\$ 7,137
\$12,542		\$ 3,323.11 plus 35%	of excess over	\$ 12,542

**Monthly Payroll - Single Person**

<u>Earnings</u>		<u>Amount of Withholding</u>		
<u>Over</u>	<u>But Not Over</u>			
\$ 0	\$ 221	None		
\$ 221	\$ 808	10%	of excess over	\$ 221
\$ 808	\$ 2,567	\$ 58.70 plus 15%	of excess over	\$ 808
\$ 2,567	\$ 5,708	\$ 322.55 plus 25%	of excess over	\$ 2,567
\$ 5,708	\$ 12,392	\$ 1,107.80 plus 28%	of excess over	\$ 5,708
\$12,392	\$ 26,767	\$ 2,979.32 plus 33%	of excess over	\$ 12,392
\$26,767		\$ 7,723.07 plus 35%	of excess over	\$ 26,767

**Monthly Payroll - Married Person**

<u>Earnings</u>		<u>Amount of Withholding</u>		
<u>Over</u>	<u>But Not Over</u>			
\$ 0	\$ 667	None		
\$ 667	\$ 1,858	10%	of excess over	\$ 667
\$ 1,858	\$ 5,396	\$ 119.10 plus 15%	of excess over	\$ 1,858
\$ 5,396	\$ 9,838	\$ 649.80 plus 25%	of excess over	\$ 5,396
\$ 9,838	\$ 15,463	\$ 1,760.30 plus 28%	of excess over	\$ 9,838
\$15,463	\$ 27,175	\$ 3,335.30 plus 33%	of excess over	\$ 15,463
\$27,175		\$ 7,200.26 plus 35%	of excess over	\$ 27,175

The results of the computation based on these tables will be rounded to the nearest dollar. Amounts less than fifty cents will be reduced to zero, fifty cents and over will be rounded to the next higher dollar.

If you have any questions, please contact Payroll Administration at (614) 466-6915.

DRP/jam