

Federal Percentage Method of Withholding For Payroll Paid January 7 – December 31, 2016

Source: IRS Notice 1036 (December 2015)

Procedures used to calculate federal taxes withheld*:

1. Obtain the employee's gross wage for the payroll period.
2. Determine the allowance amount from the "Withholding Allowance Table" below according to the employee's number of withholding allowances and frequency of payment. *Please note: HRS calculates all employees on the annual withholding table (ie. biweekly pay X 26, monthly employee X 12).
3. Determine the deduction amounts, which can be approximated from a previous earnings statement. For pre-tax deductions such as health insurance, tax sheltered annuities (TSA), and employee reimbursement accounts (e.g. ERA), these should be subtracted as pre-tax deductions from gross wages. Employer paid benefits (noted with an asterisk * on the earnings statement) are taxable to the employee and are added to gross wages in this calculation.

Calculation of taxable wages:

Gross Wages (-) Less pre-tax deductions (+) Plus taxable deductions Equals (=) Taxable wages

4. Subtract the withholding allowance amount from the employee's taxable wages to determine the net taxable wages as shown on the Percentage Method Tables for Income Tax Withholding. [see 2016 Publication 15 <https://www.irs.gov/pub/irs-pdf/p15.pdf>

Calculation of net taxable wages

Above taxable wages (-) Less Withholding allowances (# X \$4,050) = Net taxable Wages

Below are examples how to calculate withholding taxes using the tables presented here within. The examples below include the following assumptions: 2 personal allowances and pre-tax deductions for health insurance, TSA & ERA.

*If you have any questions, please contact your Payroll Coordinator.

Single Biweekly Example		Married Biweekly Example	
1. Single employee's gross biweekly wage	\$1,800.00	1. Married employee's gross biweekly wage	\$1,800.00
3. Less pre-tax deductions		3. Less pre-tax deductions	
3A. Pre-tax health insurance	- \$88.00	3A. Pre-tax health insurance	- \$219.00
3B. Pre-tax TSA	- \$100.00	3B. Pre-tax TSA	- \$100.00
3C. Pre-tax ERA	- \$100.00	3C. Pre-tax ERA	- \$100.00
4. Taxable wage (line 1 minus lines 2, 3A, 3B & 3C)	\$1,512.00	4. Taxable wage (line 1 minus lines 2, 3A, 3B & 3C)	\$1,381.00
5. Percentage withholding (withholding on 39,312 (\$1,512 x 26) from Table 7 Annual Payroll Period, Single Person status)		5. Percentage withholding (withholding on \$35,906 (\$1,381 x 26) from Table 7 Annual Payroll Period, Married Person status)	

5A.	Annualized Taxable wage (from line 5)	\$39,312	5A.	Annualized Taxable wage (from line 5)	\$35,906
5B.	Less amount for 2 personal allowances-Annual Table (2x\$4050)	\$8,100	5B.	Less amount for 2 personal allowances-Annual Table (2x\$4050)	\$8,100
5C.	Adjusted annual taxable wage	\$31,212	5C.	Adjusted annual taxable wage	\$27,806
6.	Minus minimum amount of 15% bracket	-\$11,525	6.	Minus minimum amount of 15% bracket	-\$27,100
6A.	Amount over bracket minimum	\$19,687	6A.	Amount over bracket minimum	\$706
6B.	15% of 5D	\$2,953.05	6B.	15% of 5D	\$105.90
6C.	Plus base tax withholding	\$927.50	6C.	Plus base tax withholding	\$1,855.00
7A.	Equals = Annual withholding (6B plus 6C)	\$3,880.55	7A.	Equals = Annual withholding (6B plus 6C)	\$1960.90
7B.	Biweekly withholding	\$149.25	7B.	Biweekly withholding	\$75.42

WITHHOLDING ALLOWANCE TABLE

Source: IRS Notice 1036 (December 2015)

Number of Allowances Is	And wages are paid		
	Biweekly	Monthly	Annually
	The total amount of withholding allowances for the payroll period is		
0	\$0	\$0	\$0
1	155.80	337.50	4,050.00
2	311.60	675.00	8,100.00
3	467.40	1,012.50	12,150.00
4	623.20	1,350.00	16,200.00
5	779.00	1,687.50	20,250.00
6	934.80	2,025.00	24,300.00
7	1,090.60	2,362.50	28,350.00
8	1,246.40	2,700.00	32,400.00
9	1,402.20	3,307.50	36,450.00
10	1,558.00	3,375.00	40,500.00
11 or More	Multiply the amount of one withholding allowance for the specific payroll period by the number of allowances claimed		

The 2016 amount for one withholding allowance on an annual basis is \$4,050.



TABLES FOR PERCENTAGE METHOD OF WITHHOLDING

Source: IRS Notice 1036 (December 2015)

(**The below annual payroll table is the method used in HRS for ALL employees.)

Table 7 Annual Payroll Period

(a) SINGLE person (including head of household)		(b) MARRIED person	
If the amount of wages (after subtracting withholding allowances) is:	The amount of income tax to withhold is:	If the amount of wages (after subtracting withholding allowances) is:	The amount of income tax to withhold is:
Not over \$2,250	\$0	Not over \$8,550	\$0
\$2,250 - \$11,525	10% of excess over \$2,250	\$8,550 - \$27,100	10% of excess over \$8,550
\$11,525 - \$39,900	\$927.50 plus 15% of excess over \$11,525	\$27,100 - \$83,850	\$1,855.00 plus 15% of excess over \$27,100
\$39,900 - \$93,400	\$5,183.75 plus 25% of excess over \$39,900	\$83,850 - \$160,450	\$10,367.50 plus 25% of excess over \$83,850
\$93,400 - \$192,400	\$18,558.75 plus 28% of excess over \$93,400	\$160,450 - \$240,000	\$29,517.50 plus 28% of excess over \$160,450
\$192,400 - \$415,600	\$46,278.75 plus 33% of excess over \$192,400	\$240,000 - \$421,900	\$51,791.50 plus 33% of excess over \$240,000
\$415,600 - \$417,300	\$119,934.75 plus 35% of excess over \$415,600	\$421,900 - \$475,500	\$111,818.50 plus 35% of excess over \$421,900
\$417,300 or Greater	\$120,529.75 plus 39.6% of excess over \$417,300	\$475,500 or Greater	\$130,578.50 plus 39.6% of excess over \$475,500

All other tables (biweekly, monthly, etc) can be found on the 2016 IRS Publication 15.

<https://www.irs.gov/pub/irs-pdf/p15.pdf>