

Federal Percentage Method of Withholding For Payroll Paid January – December 31, 2020

Source: IRS Publication 15-T

Procedures used to calculate federal taxes withheld using the **2019 Form W-4** and prior (Form W-4 for 2020 or later on page 4):

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 (i.e., 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 2020 Publication 15-T <https://www.irs.gov/pub/irs-pdf/p15t.pdf>]

Calculation of net taxable wages

Above taxable wages (-) Less Withholding allowances (# X \$4,300) = Net taxable Wages

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

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
2. Less pre-tax deductions			2. Less pre-tax deductions		
2A.	Pre-tax health insurance	- \$88.00	2A.	Pre-tax health insurance	- \$231.00
2B.	Pre-tax TSA	- \$100.00	2B.	Pre-tax TSA	- \$100.00
2C.	Pre-tax ERA	- \$100.00	2C.	Pre-tax ERA	- \$100.00
3. Taxable wage (line 1 minus lines 2A, 2B & 2C)		\$1,512.00	3. Taxable wage (line 1 minus lines 2A, 2B & 2C)		\$1,369.00
4. Percentage withholding (withholding on \$39,312 (\$1,512 x 26) from Table 7 Annual Payroll Period, Single Person status)			4. Percentage withholding (withholding on \$35,594 (\$1,369 x 26) from Table 7 Annual Payroll Period, Married Person status)		

4A.	Annualized Taxable wage (from line 4)	\$39,312	4A.	Annualized Taxable wage (from line 4)	\$35,594
4B.	Less amount for 1 personal allowances-Annual Table (1x\$4300)	\$4,300	4B.	Less amount for 2 personal allowances-Annual Table (2x\$4300)	\$8,600
4C.	Adjusted annual taxable wage	\$35,012	4C.	Adjusted annual taxable wage	\$26,994
5.	Minus minimum amount of 12% bracket	-\$13,675	5.	Minus minimum amount of 10% bracket	-\$11,900
5A.	Amount over bracket minimum	\$21,337	5A.	Amount over bracket minimum	\$15,094
5B.	12% of 5A	\$2,560.44	5B.	10% of 5A	\$1,509.40
5C.	Add base tax withholding	\$987.50	5C.	Add base tax withholding	\$0.00
6A.	Equals = Annual withholding (5B plus 5C)	\$3,547.94	6A.	Equals = Annual withholding (5B plus 5C)	\$1509.40
6B.	Biweekly withholding	\$136.46	6B.	Biweekly withholding	\$58.05

WITHHOLDING ALLOWANCE TABLE

Source: Publication 15-T (2020)

Number of Allowances	Wages Paid		
	Biweekly	Monthly	Annually
	The total amount of withholding allowances for the payroll period is:		
0	\$0	\$0	\$0
1	\$165.00	\$358.00	\$4,300.00
2	\$330.00	\$716.00	\$8,600.00
3	\$495.00	\$1,074.00	\$12,900.00
4	\$660.00	\$1,432.00	\$17,200.00
5	\$825.00	\$1,790.00	\$21,500.00
6	\$990.00	\$2,148.00	\$25,800.00
7	\$1,155.00	\$2,506.00	\$30,100.00
8	\$1,132.00	\$2,864.00	\$34,400.00
9	\$1,485.00	\$3,222.00	\$38,700.00
10	\$1,650.00	\$3,580.00	\$43,000.00
11 or More	Multiply the amount of one withholding allowance for the specific payroll period by the number of allowances claimed		

The 2020 amount for one withholding allowance on an annual basis is \$4,300.

TABLES FOR PERCENTAGE METHOD OF WITHHOLDING

Source: Publication 15-T (2020)

(**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 \$3,800	\$0	Not over \$11,900	\$0
\$3,800 - \$13,675	10% of excess over \$3,800	\$11,900 - \$31,650	10% of excess over \$11,900
\$13,675 - \$43,925	\$987.50 plus 12% of excess over \$13,675	\$31,650 - \$92,150	\$1,975.00 plus 12% of excess over \$31,650
\$43,925 - \$89,325	\$4,617.50 plus 22% of excess over \$43,925	\$92,150 - \$182,950	\$9,235.00 plus 22% of excess over \$92,150
\$89,325 - \$167,100	\$14,605.50 plus 24% of excess over \$89,325	\$182,950 - \$338,500	\$29,211.00 plus 24% of excess over \$182,950
\$167,100 - \$211,150	\$33,271.50 plus 32% of excess over \$167,100	\$338,500 - \$426,600	\$66,543.00 plus 32% of excess over \$338,500
\$211,150 - \$522,200	\$47,367.50 plus 35% of excess over \$211,150	\$426,600 - \$633,950	\$94,735.00 plus 35% of excess over \$426,600
\$522,200 or Greater	\$156,235.00 plus 37% of excess over \$522,200	\$633,950 or Greater	\$167,307.50 plus 37% of excess over \$633,950

All other tables (biweekly, monthly, etc) can be found on the 2020 IRS Publication 15.
<https://www.irs.gov/pub/irs-pdf/p15.pdf>

Procedures used to calculate federal taxes withheld using the **2020 Form W-4** and later:

1. Obtain the employee's gross wage for the payroll period.
2. Determine the appropriate Withholding Rate Schedule below according to Step 2 of the W-4. STANDARD Withholding Rate Schedule is used if Box 2 is NOT checked. ***Please note: HRS calculates all employees on the annual withholding table (i.e. biweekly pay X 26, monthly employee X 12).**
3. Obtain the employee's Form W-4.
4. 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

5. Determine the net taxable wages as shown on the Percentage Method Tables for Income Tax Withholding. [see 2020 Publication 15-T <https://www.irs.gov/pub/irs-pdf/p15t.pdf>]

Below are examples how to calculate withholding taxes using the Standard Withholding Rate Schedule (to be used if box in Step 2 of Form W-4 is **NOT** checked) presented here within. The examples below include the following assumptions: pre-tax deductions for health insurance, TSA & ERA.

Single/Married Separate Biweekly Example			Married Filing Jointly Biweekly Example		
1.	Single employee's gross biweekly wage	\$1,800.00	1.	Married employee's gross biweekly wage	\$1,800.00
2.	Less pre-tax deductions		2.	Less pre-tax deductions	
2A.	Pre-tax health insurance	- \$88.00	2A.	Pre-tax health insurance	- \$231.00
2B.	Pre-tax TSA	- \$100.00	2B.	Pre-tax TSA	- \$100.00
2C.	Pre-tax ERA	- \$100.00	2C.	Pre-tax ERA	- \$100.00
3.	Taxable wage (line 1 minus lines 2A, 2B & 2C)	\$1,512.00	3.	Taxable wage (line 1 minus lines 2A, 2B & 2C)	\$1,369.00
4.	Percentage withholding (withholding on \$39,312 (\$1,512 x 26) from Table 7 Annual Payroll Period, Single Person status)		4.	Percentage withholding (withholding on \$35,594 (\$1,369 x 26) from Table 7 Annual Payroll Period, Married Person status)	
4A.	Annualized Taxable wage (from line 4)	\$39,312	4A.	Annualized Taxable wage (from line 4)	\$35,594
4B.	Subtract \$8,600 (Single) Adjusted annual taxable wage	\$30,712	4B.	Subtract \$12,900 (Married) Adjusted annual taxable wage	\$22,694
5.	Minus minimum amount of 12% bracket	-\$13,675	5.	Minus minimum amount of 12% bracket	-\$11,900
5A.	Amount over bracket minimum	\$17,037	5A.	Amount over bracket minimum	\$10,794
5B.	12% of 5A	\$2,044.44	5B.	10% of 5A	\$1,079.40
5C.	Add base tax withholding	\$987.50	5C.	Add base tax withholding	\$0.00
6A.	Equals = Annual withholding (5B plus 5C)	\$3,031.94	6A.	Equals = Annual withholding (5B plus 5C)	\$1,079.40
6B.	Biweekly withholding	\$116.61	6B.	Biweekly withholding	\$41.52

TABLES FOR PERCENTAGE METHOD OF WITHHOLDING

Source: Publication 15-T (2020)

(**The below annual payroll table is the method used in HRS for ALL employees who filed a Form W-4 from 2020 or later and the box from Step 2 of Form W-4 is **NOT** checked.)

Table 7 Annual Payroll Period – STANDARD (checkbox not checked)					
(a) SINGLE Person (Including Married Filing Separately)		(b) MARRIED Person - Filing Jointly		(c) HEAD of HOUSEHOLD	
If the amount of wages is:	The amount of income tax to withhold is:	If the amount of wages is:	The amount of income tax to withhold is:	If the amount of wages is:	The amount of income tax to withhold is:
Not over \$3,800	\$0	Not over \$11,900	\$0	Not over \$10,050	\$0
\$3,800-13,675	10% of excess over \$3,800	\$11,900 - \$31,650	10% of excess over \$11,900	\$10,050 - \$24,150	10% excess over \$10,050
\$13,675- \$43,925	\$987.50 plus 12% of excess over \$13,675	\$31,650 - \$92,150	\$1,975.00 plus 12% of excess over \$31,650	\$24,150 - \$63,750	\$1,410.00 plus 12% of excess over \$24,150
\$43,925 - \$89,325	\$4,617.50 plus 22% of excess over \$43,925	\$92,150 - \$182,950	\$9,235.00 plus 22% of excess over \$92,150	\$63,750 - \$95,550	\$6,162.00 plus 22% of excess over \$63,750
\$89,325 - \$167,100	\$14,605.50 plus 24% of excess over \$89,325	\$182,950 - \$338,500	\$29,211.00 plus 24% of excess over \$182,950	\$95,550 - \$173,350	\$13,158.00 plus 24% of excess over \$95,550
\$167,100 - \$211,150	\$33,271.50 plus 32% of excess over \$167,100	\$338,500 - \$426,600	\$66,543.00 plus 32% of excess over \$338,500	\$173,350 - \$217,400	\$31,830.00 plus 32% of excess over \$173,350
\$211,150 - \$522,200	\$47,367.50 plus 35% of excess over \$211,150	\$426,600 - \$633,950	\$94,735.00 plus 35% of excess over \$426,600	\$217,400 - \$528,450	\$45,926.00 plus 35% of excess over \$217,400
\$522,200 or Greater	\$156,235.00 plus 37% of excess over \$522,200	\$633,950 or Greater	\$167,307.50 plus 37% of excess over \$633,950	\$528,450 or Greater	\$154,793.50 plus 37% of excess over \$528,450

Below are examples how to calculate withholding taxes using the Standard Withholding Rate Schedule (to be used if box in Step 2 of Form W-4 IS checked) presented here within. The examples below include the following assumptions: personal allowances and pre-tax deductions for health insurance, TSA & ERA.

Single/Married Separate Biweekly Example			Married Jointly Biweekly Example		
1. Single employee's gross biweekly wage		\$1,800.00	1. Married employee's gross biweekly wage		\$1,800.00
2. Less pre-tax deductions			2. Less pre-tax deductions		
2A.	Pre-tax health insurance	- \$88.00	2A.	Pre-tax health insurance	- \$231.00
2B.	Pre-tax TSA	- \$100.00	2B.	Pre-tax TSA	- \$100.00
2C.	Pre-tax ERA	- \$100.00	2C.	Pre-tax ERA	- \$100.00
3. Taxable wage (line 1 minus lines 2A, 2B & 2C)		\$1,512.00	3. Taxable wage (line 1 minus lines 2A, 2B & 2C)		\$1,369.00
4. Percentage withholding (withholding on \$39,312 (\$1,512 x 26) from Table 7 Annual Payroll Period, Single Person status)			4. Percentage withholding (withholding on \$35,594 (\$1,369 x 26) from Table 7 Annual Payroll Period, Married Person status)		
4A.	Annualized Taxable wage (from line 4)	\$39,312	4A.	Annualized Taxable wage (from line 4)	\$35,594
4B.	No subtraction (checkbox)	0	4B.	No subtraction (checkbox)	0
5.	Minus minimum amount of 22% bracket	-\$26,263	5.	Minus minimum amount of 12% bracket	-\$22,275
5A.	Amount over bracket minimum	\$13,049	5A.	Amount over bracket minimum	\$13,319
5B.	22% of 5A	\$2,870.78	5B.	12% of 5A	\$1,598.28
5C.	Add base tax withholding	\$2,308.75	5C.	Add base tax withholding	\$987.50
6A.	Equals = Annual withholding (5B plus 5C)	\$5,179.53	6A.	Equals = Annual withholding (5B plus 5C)	\$2,585.78
6B.	Biweekly withholding	\$199.21	6B.	Biweekly withholding	\$99.45

TABLES FOR PERCENTAGE METHOD OF WITHHOLDING

Source: Publication 15-T (2020)

(**The below annual payroll table is the method used in HRS for ALL employees who filed a Form W-4 from 2020 or later and the box in Step 2 of the Form W-4 **IS** checked.)

Table 7 Annual Payroll Period (Checkbox is checked)					
(a) SINGLE Person (Including Married Filing Separately)		(b) MARRIED Person - Filing Jointly		(c) HEAD of HOUSEHOLD	
If the amount of wages is:	The amount of income tax to withhold is:	If the amount of wages is:	The amount of income tax to withhold is:	If the amount of wages is:	The amount of income tax to withhold is:
Not over \$6,200	\$0	Not over \$12,400	\$0	Not over \$9,325	\$0
\$6,200 - \$11,138	10% of excess over \$6,200	\$12,400 - \$22,275	10% of excess over \$12,400	\$9,325 - \$16,375	10% excess over \$9,325
\$11,138 - \$26,263	\$493.75 plus 12% of excess over \$11,138	\$22,275 - \$52,525	\$987.50 plus 12% of excess over \$22,275	\$16,375 - \$36,175	\$705.00 plus 12% of excess over \$16,375
\$26,263 - \$48,963	\$2,308.75 plus 22% of excess over \$26,263	\$52,525 - \$97,925	\$4,617.50 plus 22% of excess over \$52,525	\$36,175 - \$52,075	\$3,081.00 plus 22% of excess over \$36,175
\$48,963 - \$87,850	\$7,302.75 plus 24% of excess over \$48,963	\$97,925 - \$175,700	\$14,605.50 plus 24% of excess over \$97,925	\$52,075 - \$90,975	\$6,579.00 plus 24% of excess over \$52,075
\$87,850 - \$109,875	\$16,635.75 plus 32% of excess over \$87,850	\$175,700 - \$219,750	\$33,271.50 plus 32% of excess over \$175,700	\$90,975 - \$113,000	\$15,915.00 plus 32% of excess over \$90,975
\$109,875 - \$265,400	\$23,683.75 plus 35% of excess over \$109,875	\$219,750 - \$323,425	\$47,367.50 plus 35% of excess over \$219,750	\$113,000 - \$268,525	\$22,963.00 plus 35% of excess over \$113,000
\$265,400 or Greater	\$78,117.50 plus 37% of excess over \$265,400	\$323,425 or Greater	\$83,653.75 plus 37% of excess over \$323,425	\$268,525 or Greater	\$77,396.75 plus 37% of excess over \$268,525