

Calculating Withholding Tax

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When calculating withholding tax for the employee, the program first determines the withholding gross (total gross adjusted for annuities, cafeteria plan, nontax business allowance, TRS Salary Reduction, etc.). Once the withholding gross is determined, withholding taxes are calculated based on the Income Tax tables associated with the **W4 Marital Status and Nbr of Exemptions** fields on the employees' Pay Info tab.

If the employee has multiple jobs (pay type 1 or pay type 2) that will be paid off at the same time, the system will use the remaining payments from the primary job to divide into the withholding gross that is used to calculate the tax for the payroll. After the tax is calculated, the remaining payments from the primary job are multiplied by the tax to determine total tax.

If not paying off all type 1 and type 2 jobs, the system will calculate the withholding tax based on the total withholding gross for both jobs, and the remaining payments are not a factor in calculating the withholding tax.

Example 1 (Paying Off Multiple Jobs)

The employee is claiming Married/Zero and the tax table guidelines that will be used are:

(If over $1,883.00, but not over $5,517.00, Tax Amount = $121.60 + 15% of the amount over $1,833.00.)

- Job #1 Pay Rate is $2,000.00 with a balance of $6,000.00 (being paid off early in May; has three remaining payments and is the primary job).
- Job #2 Pay Rate is $500.00 with a balance of $1,000.00 (being paid off early in May and has two remaining payments).

The employee has $35.00 sheltered under the cafeteria plan with 99 remaining payments, and the Cafe 125 Reduce FICA Gross is selected on the HR Options page. Calculations will occur as follows:

Total to be paid: $7,000.00

Less TRS (6.4%): (448.00)

Less Cafe Plan Ded: (35.00)

Total Withholding Gross: $6,517.00 divided by 3 (number of remaining payments for primary job) = $2,172.33

Withholding tax is calculated as follows (based on 2005 tax table under example 1): $2,172.33 - $1,883.00 = $289.33 x 15% = $43.40 plus $121.60 (tax amount) for total tax of $165.00 x 3 (# of remaining payments on the primary job) = $495.00 in withholding taxes

Example 2 (Paying Off Primary Job Only)

The employee is claiming Married/Zero and the 2005 tax table guidelines that will be used are:

(If over $5,517.00, but not over $10,063.00, Tax Amt = $666.70 + 25% of the amount over $5,517.00.)

- Job #1 Pay Rate is $2,000.00 with a balance of $6,000.00 (being paid off early in May; has three remaining payments and is the primary job).
- Job #2 Pay Rate is $500.00 with a balance of $1,000.00 and is not being paid off early.

The employee has $35.00 sheltered under the cafeteria plan with 99 remaining payments, and the Cafe 125 Reduce FICA Gross is selected on the HR Options page. Calculations will occur as follows:

Total to be paid: $6,500.00

Less TRS (6.4%): (416.00)

Less Cafe Plan Ded: (35.00)

Total Withholding Gross: $6,049.00

Withholding tax is calculated as follows (based on 2005 tax table under example 2):

$6,049.00 - $5,517.00 = $532.00 x 25% = $133.00 plus $666.70 (tax amount) for total tax of $799.70

The next payroll will pay off the nonprimary job, and taxes will be calculated based on $500.00 less TRS 6.4% of $32.00. Since the $35.00 deduction has 99 remaining payments, deductions are taken, for a total taxable withholding gross of $433.00. Based on the tax table, no withholding taxes will be calculated.

Example 3 (Changed Primary Job and then Paying Off Primary Job Only)

The employee is claiming Married/Zero and the 2005 tax table guidelines that will be used are:

(If over $1,883.00, but not over $5,517.00, Tax Amt = $121.60 + 15% of the amount over $1,883.00.)

- Job #1 is the primary job and the Pay Rate is $2,000.00 with a balance of $6,000.00 and is not being paid off early.
- Job #2 Pay Rate is $500.00 with a balance of $1,000.00 and is being paid off early (has two remaining payments).

The primary job selection is changed from Job #1 to Job #2 before payroll is processed.

The employee has $35.00 sheltered under the cafeteria plan with 99 remaining payments, and the Cafe 125 Reduce Fica Gross is selected on the HR Options page. Calculations will occur as follows:

Total to be paid: $3,000.00

Less TRS (6.4%): (192.00)

Less Cafe Plan Ded: (35.00)

Total Withholding Gross: $2,773.00

Withholding tax is calculated as follows (based on 2005 tax table under example 3): $2,773.00 - $1,883.00 = $890.00 x 15% = $133.50 plus $121.60 (tax amount) for total tax of $255.10


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