

Employers pay the IRS income tax throughout the year on behalf of the employee. How much should they send?

The income tax that is withheld from each paycheck is based on your marital status, how often you get paid, and the number of withholding allowances you claim.

**Definition: Withholding allowance:** Employees fill out a W-4 form that helps them calculate what this number should be. The number is based on the number of people in your household, if your spouse works, and other factors. The more withholding allowances you claim, the *less* tax is withheld from the paycheck. This does *not* mean that the employee owes less tax; if you withhold too little, the employee will have a tax bill come April 15.

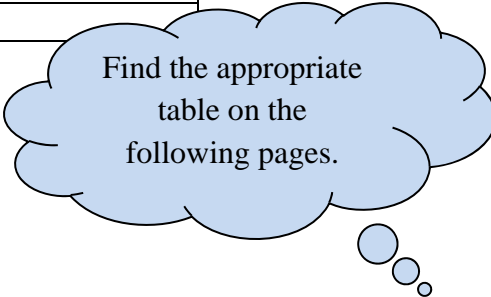
Employers need to estimate the tax each employee will need to pay. They withhold an amount from each paycheck and send it in to the IRS for the employee. There are two methods for figuring the amount to withhold from each paycheck, the **wage bracket method** and the **percentage method**. We will cover both, using a worksheet to cover the latter.

### Wage Bracket Method:

You'll need a table that is specific to single or married people and how often they get paid. They are on the following pages. On this table, we will look up the income for that pay period and the number of withholdings to find the amount of tax to withhold from the paycheck.

expl 1: Find the federal withholding tax for the following employee. Use the wage bracket method.

Employee	Gross Earnings	Married?	Withholding Allowances
O'Sullivan, S.	\$585.87 weekly	yes	3



Find the appropriate table on the following pages.

# WAGE BRACKET METHOD

## SINGLE Persons—WEEKLY Payroll Period (For Wages Paid through December 31, 2016)

And the wages are —		And the number of withholding allowances claimed is —											
At least	But less than	0	1	2	3	4	5	6	7	8	9	10	
The amount of income tax to be withheld is —													
350	360	38	26	16	8	0	0	0	0	0	0	0	0
360	370	39	28	17	9	1	0	0	0	0	0	0	0
370	380	41	29	18	10	2	0	0	0	0	0	0	0
380	390	42	31	19	11	3	0	0	0	0	0	0	0
390	400	44	32	20	12	4	0	0	0	0	0	0	0
400	410	45	34	22	13	5	0	0	0	0	0	0	0
410	420	47	35	23	14	6	0	0	0	0	0	0	0
420	430	48	37	25	15	7	0	0	0	0	0	0	0
430	440	50	38	26	16	8	0	0	0	0	0	0	0
440	450	51	40	28	17	9	1	0	0	0	0	0	0
450	460	53	41	29	18	10	2	0	0	0	0	0	0
460	470	54	43	31	19	11	3	0	0	0	0	0	0
470	480	56	44	32	21	12	4	0	0	0	0	0	0
480	490	57	46	34	22	13	5	0	0	0	0	0	0
490	500	59	47	35	24	14	6	0	0	0	0	0	0

Above, we see that for a single, paid-weekly employee who has no withholding allowances and makes between \$360 and \$370 per week, we should withhold \$39 from each paycheck.

## MARRIED Persons—WEEKLY Payroll Period (For Wages Paid through December 31, 2016)

And the wages are —		And the number of withholding allowances claimed is —											
At least	But less than	0	1	2	3	4	5	6	7	8	9	10	
The amount of income tax to be withheld is —													
500	510	34	26	18	11	3	0	0	0	0	0	0	0
510	520	35	27	19	12	4	0	0	0	0	0	0	0
520	530	36	28	20	13	5	0	0	0	0	0	0	0
530	540	38	29	21	14	6	0	0	0	0	0	0	0
540	550	39	30	22	15	7	0	0	0	0	0	0	0
550	560	41	31	23	16	8	0	0	0	0	0	0	0
560	570	42	32	24	17	9	1	0	0	0	0	0	0
570	580	44	33	25	18	10	2	0	0	0	0	0	0
580	590	45	34	26	19	11	3	0	0	0	0	0	0
590	600	47	35	27	20	12	4	0	0	0	0	0	0
600	610	48	37	28	21	13	5	0	0	0	0	0	0
610	620	50	38	29	22	14	6	0	0	0	0	0	0
620	630	51	40	30	23	15	7	0	0	0	0	0	0
630	640	53	41	31	24	16	8	0	0	0	0	0	0
640	650	54	43	32	25	17	9	1	0	0	0	0	0

Source: Department of the Treasury Internal Revenue Service.

**SINGLE Persons—MONTHLY Payroll Period**  
(For Wages Paid through December 31, 2016)

And the wages are —		And the number of withholding allowances claimed is —										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of income tax to be withheld is —												
1,600	1,640	176	126	76	42	8	0	0	0	0	0	0
1,640	1,680	182	132	81	46	12	0	0	0	0	0	0
1,680	1,720	188	138	87	50	16	0	0	0	0	0	0
1,720	1,760	194	144	93	54	20	0	0	0	0	0	0
1,760	1,800	200	150	99	58	24	0	0	0	0	0	0
1,800	1,840	206	156	105	62	28	0	0	0	0	0	0
1,840	1,880	212	162	111	66	32	0	0	0	0	0	0
1,880	1,920	218	168	117	70	36	3	0	0	0	0	0
1,920	1,960	224	174	123	74	40	7	0	0	0	0	0
1,960	2,000	230	180	129	78	44	11	0	0	0	0	0
2,000	2,040	236	186	135	84	48	15	0	0	0	0	0
2,040	2,080	242	192	141	90	52	19	0	0	0	0	0
2,080	2,120	248	198	147	96	56	23	0	0	0	0	0
2,120	2,160	254	204	153	102	60	27	0	0	0	0	0
2,160	2,200	260	210	159	108	64	31	0	0	0	0	0

On this page, we have the tables for employees that are paid monthly. If they are paid weekly, refer to the previous page's tables. When needed, these and other tables will be provided.

**MARRIED Persons—MONTHLY Payroll Period**  
(For Wages Paid through December 31, 2016)

And the wages are —		And the number of withholding allowances claimed is —										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10
The amount of income tax to be withheld is —												
2,200	2,240	151	117	83	50	16	0	0	0	0	0	0
2,240	2,280	155	121	87	54	20	0	0	0	0	0	0
2,280	2,320	161	125	91	58	24	0	0	0	0	0	0
2,320	2,360	167	129	95	62	28	0	0	0	0	0	0
2,360	2,400	173	133	99	66	32	0	0	0	0	0	0
2,400	2,440	179	137	103	70	36	2	0	0	0	0	0
2,440	2,480	185	141	107	74	40	6	0	0	0	0	0
2,480	2,520	191	145	111	78	44	10	0	0	0	0	0
2,520	2,560	197	149	115	82	48	14	0	0	0	0	0
2,560	2,600	203	153	119	86	52	18	0	0	0	0	0
2,600	2,640	209	158	123	90	56	22	0	0	0	0	0
2,640	2,680	215	164	127	94	60	26	0	0	0	0	0
2,680	2,720	221	170	131	98	64	30	0	0	0	0	0
2,720	2,760	227	176	135	102	68	34	0	0	0	0	0
2,760	2,800	233	182	139	106	72	38	4	0	0	0	0

Source: Department of the Treasury Internal Revenue Service.

### Percentage Method:

As before, we will need tables that are delineated by marital status and how often an employee is paid. However, this method requires we do a small calculation before we enter the table.

#### General Steps for Percentage Method:

1. Locate the correct table depending on the employee's marital status and how often they are paid.
2. Multiply the number of withholding allowances by the value in the table below. Notice it is dependent on the pay period.

Amount to Deduct for One Withholding Allowance	
Payroll period	Amount *
Weekly	\$77.90
Biweekly	\$155.80
Semimonthly	\$168.80
Monthly	\$337.50

\* This number is multiplied by the number of allowances and subtracted from income before using tables 1-3.

3. Subtract the result from step 2 from the wages for the pay period. This is the amount (called an **adjusted salary**) you look up in the tax table. The tax table essentially gives us a formula, often involving percents, which we will use to figure the tax to withhold from the paycheck.

#### Worksheet: Reading tax tables: Percentage method for withholding:

This worksheet will take you step-by-step through finding how much to withhold from an employee's paycheck. It also provides four practice problems.

#### Related Miscellany:

There are other homework problems that involve finding **state withholding tax**. This is simply a matter of finding a percent of some given gross earnings.

You will be asked to combine this section with the previous where we found FICA and Medicare deductions. You will subtract all deductions, including withheld taxes, from the gross earnings to find **net pay**.

You will also see problems that ask how much an employer should send to the IRS. Remember that an employer sends *twice* the amount of FICA and Medicare taxes collected from the employee (employee's plus employer's portions) plus the total federal withholding tax.