

Tax Withholding—General Calculation Procedures

The following is provided as a general explanation of how tax withholding is calculated for a basic **payment situation**.

An employee is being paid for the prime job only and for one pay period only, and the payment is made on the employee's prime cycle.

Step 1: Determine *gross earnings* for pay period.

Step 2: Determine *salary reductions* for pay period.

Step 3: Subtract *salary reductions* from *gross earnings*. This result equals *period taxable earnings*.

Step 4: Multiply *period taxable earnings* by the calendar number of months (10, 11 or 12) of the job. The result equals federal/state *annual gross earnings*.

Step 5: Calculate *annual* taxes from Step 4 using Tax Tables A and B. See reverse side.

Step 6: Divide Step 5 *annual* taxes by pay calendar months to arrive at taxes withheld for the pay period.

IMPORTANT:

The calculation process **above** is a very basic example. More complex situations include:

- Earnings for more than one assignment
- Payments involving different pay periods or different calendars
- Supplemental pay
- Payments on cycles other than the prime cycle
- Payments involving adjustments
- Payments using the flat tax rate option for additional earnings