

Finance

Federal Income Tax Withholding

Effective Pay Period 01-2017, payroll checks will reflect changes in the withholding of federal taxes. All information in this article is based on Internal Revenue Service (IRS) Notice 1036, revised December 2016. The Early Release Copies of the Percentage Method Tables for Income Tax Withholding will appear in the IRS Publication 15 (Circular E), *Employer's Tax Guide*.

The biweekly personal exemption value for each federal tax allowance remains at \$155.80 per allowance. The dollar amounts for the withholding tables have changed. The existing withholding rates (10%, 15%, 25%, 28%, 33%, 35%, and 39.6%) did not change.

Federal Income Tax Withholding Table — For Wages Paid in 2017							
Single Person (including Head of Household)				Married Person			
Wages*		The withholding amount is:		Wages*		The withholding amount is:	
Over...	But not over...	Withholding Amount	Of excess over	Over...	But not over...	Withholding Amount	Of excess over
\$0	\$88	\$0		\$0	\$333	\$0	
\$88	\$447	\$0.00 plus 10%	\$88	\$333	\$1,050	\$0.00 plus 10%	\$333
\$447	\$1,548	\$35.90 plus 15%	\$447	\$1,050	\$3,252	\$71.70 plus 15%	\$1,050
\$1,548	\$3,623	\$201.05 plus 25%	\$1,548	\$3,252	\$6,221	\$402.00 plus 25%	\$3,252
\$3,623	\$7,460	\$719.80 plus 28%	\$3,623	\$6,221	\$9,308	\$1,144.25 plus 28%	\$6,221
\$7,460	\$16,115	\$1,794.16 plus 33%	\$7,460	\$9,308	\$16,360	\$2,008.61 plus 33%	\$9,308
\$16,115	\$16,181	\$4,650.31 plus 35%	\$16,115	\$16,360	\$18,437	\$4,335.77 plus 35%	\$16,360
\$16,181		\$4,673.41 plus 39.6%	\$16,181	\$18,437		\$5,062.72 plus 39.6%	\$18,437

* Wages are determined after subtracting withholding allowances, CPP, FEDVIP, FEHB, (USPS-HB, if pretax in place), FSA, HSA and TSP contributions from your gross earnings.

Contributions made by employees to the following are treated as pretax monies for federal tax computations:

- Commuter Program (CPP) up to the transit/parking pretax limits.

■ Federal Employees Dental and Vision Insurance Program (FEDVIP).

- Health Benefits (HB):

- Federal Employees Health Benefits (FEHB), unless employee declined the pretax benefit.
- USPS Health Benefits (USPS HB), only if employee opted for pretax contributions.
- Flexible Spending Accounts (FSA).
- Health Savings Account (HSA).
- Traditional Thrift Savings Plan (TSP).

When calculating your federal taxes, remember to subtract from your gross earnings your withholding allowance amount as well as these pretax contribution amounts to determine your federal taxable wage amount.

Upon submission of your federal tax return, you are urged to review your federal tax withholdings particularly if you owed a significant amount of money or were due a large refund. If necessary, update your Federal Form W-4 (Employee's Withholding Allowance Certificate).

To determine the amount of withholding, follow steps 1 through 10:

1. Determine biweekly gross wages from earnings statement.
2. Determine biweekly Traditional TSP employee contributions from earnings statement.
3. Determine biweekly FSA contributions from earnings statement. If applicable, add the amounts from both the FSA Dependent Child (FSADC) Sub-Account and the FSA Health Care (FSAHC) Sub-Account.
4. Determine biweekly FEHB pretax employee contribution from earnings statement (abbreviated as HP).
5. Determine biweekly USPS HB pretax employee contribution from earnings statement. **Note:** Generally USPS HB contributions are treated as post-tax monies.
6. Determine biweekly CPP employee contributions from earnings statement.
7. Determine biweekly FEDVIP employee contributions from earnings statement.
8. Determine biweekly HSA contributions from earnings statement.
9. Multiply the number of exemptions claimed by the bi-weekly exemption value of \$155.80 (withholding allowance). The federal tax line on the earnings statement shows the number of exemptions claimed (e.g., S1 = single with one exemption, M3 = married with three exemptions).
10. Subtract the amounts in step 2 (Traditional TSP), step 3 (FSA), step 4 (FEHB), step 5 (USPS HB), only if

pretax), step 6 (CPP), step 7 (FEDVIP), step 8 (HSA) and step 9 (exemptions) from step 1 (biweekly gross wages). The balance is the amount subject to withholding.

11. Determine into which range this amount falls on the Federal Income Tax Withholding Table; follow the instructions listed in the table.

The following is an example of how to compute federal income taxes for a Federal Employee Retirement System (FERS) employee who claims married with three exemptions, and makes pretax contributions to the TSP, FSA, FEHB, CPP, and FEDVIP.

A FERS employee receives \$3,826.35 as biweekly gross wages. The employee makes the following contributions: 11 percent of basic earnings (for this example, all of the gross \$ is basic; basic X 0.11 = \$420.90) per pay period (PP) to TSP; \$65 per PP to FSADC; \$95 per PP to FSAHC; \$148.46 per PP to FEHB, \$105 for this PP to the CPP; and \$57.23 per PP to the GEHA PPO High Option Dental Premium. The employee claims "married" with three exemptions (M3 on the federal tax line of the earnings statement). Using the information provided in the Federal Income Tax Withholding Table in this article, federal taxes are computed as follows:

Biweekly gross wages	\$3,826.35
Minus Traditional Thrift Savings Plan contributions	-420.90
Minus Flexible Spending Account Dependent Care contributions	-65.00
Minus Flexible Spending Account Health Care contributions	-95.00
Minus Federal Employees Health Benefits contributions	-148.46
Minus Commuter Program pretax contributions	-105.00
Minus Federal Employees Dental and Vision Insurance Program contributions	-57.23
Minus Exemptions (3 x \$155.80)	-467.40
Amount of wages subject to withholding	\$2,467.36

To complete the computation, refer to the Married/Biweekly segment of the Federal Income Tax Withholding Table. The amount of wages subject to withholding (\$2,467.36) falls within the "over \$1,050 but not over \$3,252**" range. Using the information provided within that range, the final computation is as follows:

Amount subject to withholding	\$2,467.36
Subtract \$1,050 from \$2,467.36	1,417.36
Multiply \$1,417.36 by .15 (15%)	212.60
Add from the table	71.70
Add \$212.60 and \$71.70	284.30
Total federal income tax* that should be withheld from this employee's biweekly check	\$284.30

* Rounding may vary this total by a few cents.