

Peter Franchot Comptroller

Robert J. Murphy Director Central Payroll Bureau

- TO: All State Agencies
- FROM: Robert J. Murphy, Director Central Payroll Bureau

DATE: January 29, 2018

SUBJECT: 2018 FEDERAL INCOME TAX WITHHOLDING INFORMATION

The Percentage Method of Withholding is addressed in this memo which includes extractions from the 2018 Federal Income Tax Withholding Tables (found in the IRS Publication 15, Circular E - Employer's Tax Guide).

Please Note:

- Advance payment of earned income credit (EIC) through payroll payments expired on December 31, 2010. Individuals eligible for EIC in 2017 can still claim the credit when they file their 2017 federal income tax return. Additionally any employee who expects to be eligible for the EIC and will have income tax withheld from wages in 2018 may reduce their withholding in order to receive the benefit of a portion of the credit throughout the year.
- The 2018 amount for one withholding allowance on an annual basis is \$4,150.00.
- Individual tax calculations and estimates can be readily determined by using the Central Payroll Bureau, <u>Net Pay Calculator</u> located with the following link:

http://comptroller.marylandtaxes.com/Government_Services/State_Payroll_Services Click on left tab labeled "Payroll Online Services"

• Other important links located on our home page are:

2017 Earned Income Credit (EIC) 2018 Maryland State and Local Income Tax Withholding Information

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2018 Federal Income Tax Withholding Information - PERCENTAGE METHOD

ALLOWANCE TABLE

Dollar Amount of Withholding Allowances

Number of Withholding	Biweekly Pay Period	Monthly Pay Period
Allowances		
0	\$ 0	\$ 0
1	159.60	345.80
2	319.20	691.60
3	478.80	1,037.40
4	638.40	1,383.20
5	798.00	1,729.00
6	957.60	2,074.80
7	1,117.20	2,420.60
8	1,276.80	2,766.40
9	1,436.40	3,112.20
10	1,596.00	3,458.00

Over 10 – Multiply amount of one withholding allowance (\$159.60 for biweekly or \$345.80 for monthly) by the number of Allowances claimed.

The annual withholding allowance of \$4,150 equals the Biweekly amount of \$159.60 (1 exemption) multiplied by 26, rounding to nearest whole dollar, **or** the Monthly amount of \$345.80 (1 exemption) multiplied by 12, rounding to nearest whole dollar.

NOTE: Use of these tables to compute estimated tax withholdings will result in amounts that differ slightly (by a few cents) from the precise amounts computed by the Statewide Payroll System

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2018 Federal Income Tax Withholding Information Tax tables for Percentage Method of Withholding

BIWEEKLY Payroll Period

Single Person - Including Head of Household

Taxable Income*	Amount of Income Tax Withheld is:

Not over \$142 0

Over-	But not over-		of excess over-	
\$142	\$509	plus 10%	\$142	
\$509	\$1,631 \$36.70		\$509	
\$1,631	\$3,315		\$1,631	
\$3,315	\$6,200		\$3,315	
\$6,200	\$7,835 \$1,234.22		\$6,200	
\$7,835	\$19,373\$1,757.42		\$7,835	
	\$5,795.72		\$19,373	

Married Person

Taxable Income*

Amount of Income Tax Withheld is:

Over-	But not over		of excess over-
\$444	\$1,177 \$0.00	plus 10%	\$444
\$1,177	\$3,421\$73.70	plus 12%	\$1,177
\$3,421	\$6,790 \$342.58	plus 22%	\$3,421
\$6,790	\$12,560\$1,083.76		\$6,790
\$12,560	\$15,829 \$2,468.56		\$12,560
\$15,829	\$23,521 \$3,514.64		\$15,829
	\$6,206.84		\$23,521

* - Biweekly gross pay less tax sheltered and/or pre-tax deductions and the dollar amount of Biweekly withholding allowances.

NOTE:

- Inflation adjustments have increased the above Tax Bracket thresholds for each filing status
- Use of these tables to compute estimated tax withholdings will result in amounts that differ slightly (by a few cents) from the precise amounts computed by the Statewide Payroll System.

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2018 Federal Income Tax Withholding Information Tax tables for Percentage Method of Withholding

MONTHLY Payroll Period

Single Person - Including Head of Household

Taxable Income* Amount of Inc		f Income Tax Withheld is:
Not over \$	308 0	
Over-	But not over-	of excess over-
\$308	\$1,102\$0.00 plus 10	% \$308

\$	308	\$1,102\$0.00	plus 10%	\$308	
\$	1,102	\$3,533 \$79.40	plus 12%	\$1,102	
\$		\$7,183\$371.12		\$3,533	
		\$13,433\$1,174.12		\$7,183	
57		\$16,975 \$2,674.12		\$13,433	
		\$41,975\$3,807.56		\$16,975	
		\$12,557.56		\$41,975	

Married Person

Taxable Income*

Amount of Income Tax Withheld is:

Not over \$963 0

Over-	But not over-		of excess over-
\$963	\$2,550 \$0.00	plus 10%	\$963
\$2,550	\$7,413 \$158.70		\$2,550
\$7,413	\$14,713 \$742.26		\$7,413
\$14,713	\$27,213 \$2,348.26		\$14,713
\$27,213	\$34,296 \$5,348.26	plus 32%	\$27,213
\$34,296	\$50,963\$7,614.82		\$34,296
4	\$13,448.27		\$50,963

* - Monthly gross pay <u>less</u> tax sheltered and/or pre-tax deductions and the dollar amount of Monthly withholding allowances.

NOTE:

- Inflation adjustments have increased the above Tax Bracket thresholds for each filing status
- Use of these tables to compute estimated tax withholdings will result in amounts that differ slightly (by a few cents) from the precise amounts computed by the Statewide Payroll System.

2018 Federal Income Tax Withholding Information

Examples of Withholding Calculations using the Percentage Method

1. A <u>married employee</u> is paid \$1,356.09 <u>biweekly</u>. This employee has in effect a Form W-4 claiming (0) withholding allowances. The employee also has a deferred comp deduction.

Using the percentage method, the income tax to withhold is computed as follows:

Total wage payment	\$1,356.09
(0) allowances claimed on W4	\$ 0.00
Deferred Comp deduction	\$ 60.00
Amount subject to withholding	\$1,296.09
(Subtract lines 2 & 3 from line 1)	

BIWEEKLY Payroll Period, for married Person.

\$1,296.09 falls within the range of \$1,177 - \$3,421, so we use the following calculation:

\$73.70 plus 12% of the amount over \$1,177 \$1,296.09 - \$1,177 = \$119.09 \$119.09 x 0.12 = \$14.29 Add \$73.70 + \$14.29 = \$87.99 Total Federal Tax to be withheld

2. An <u>unmarried employee</u> is paid \$4,500.00 <u>monthly</u>. This employee has in effect a Form W-4 claiming (2) withholding allowances.

Using the percentage method, the income tax to withhold is computed as follows:

Total wage payment	\$4,500.00
(2) allowances claimed on W4	\$ 691.60
(From the Allowance table)	
Deferred Comp deduction	\$ 0.00
Amount subject to withholding	\$3,808.40
(Subtract lines 2 & 3 from line 1)	

MONTHLY Payroll Period, for unmarried Person.

\$3,808.40 falls within the range of \$3,533 - \$7,183, so we use the following calculation:

\$371.12 plus 22% of the amount over \$3,533 \$3,808.40 - \$3,533 = \$275.40 \$275.40 x 0.22 = \$60.59 Add \$371.12 + \$60.59 = \$431.71 Total Federal Tax to be withheld