

## 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 the pay period.
- Step 2: Determine *salary reductions* for the pay period.
- Step 3: Subtract *salary reductions* from *gross earnings*. This result equals the *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; and
- Payments using the flat-tax rate option for additional earnings.