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TO: All State Agencies

FROM: Robert J. Murphy, Director
Central Payroll Bureau

DATE: April 9, 2013

SUBJECT: 2013 Federal Income Tax Withholding Information

The Percentage Method of Withholding is addressed in this memo which includes extractions from the 2013 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 2013 can still claim the credit when they file their 2013 federal income tax return. Additionally any employee who expects to be eligible for the EIC and will have income tax withheld from wages in 2013 may reduce their withholding in order to receive the benefit of a portion of the credit throughout the year.
- The annual personal exemption amount for 2013 will be \$3,900.00.
- Tax calculations and estimates of net pay can be readily determined by using the Central Payroll Bureau *Net Pay Calculator* located on the home page of our web site -

http://compnet.comp.state.md.us/central_payroll_bureau

- Other important links located on our home page are:

2013 Federal Withholding Tables
2013 Maryland Withholding Tables

2013 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	150.00	325.00
2	300.00	650.00
3	450.00	975.00
4	600.00	1,300.00
5	750.00	1,625.00
6	900.00	1,950.00
7	1,050.00	2,275.00
8	1,200.00	2,600.00
9	1,350.00	2,925.00
10	1,500.00	3,250.00

Over 10 – Multiply amount of one withholding allowance (\$150.00 for bi-weekly or \$325.00 for monthly) by the number of Allowances claimed.

The annual personal exemption amount of \$3,900 equals the Bi-Weekly amount of \$150.00 (1 exemption) multiplied by 26, rounding to nearest whole dollar, **or** the Monthly amount of \$325.00 (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

2013 Federal Income Tax Withholding Information

Examples of Withholding Calculations using the Percentage Method

1. A married employee is paid \$1,356.09 bi-weekly. 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 \$1,006 - \$3,108, the following calculation:

$$\begin{aligned}
 & \$68.70 \text{ plus } 15\% \text{ of the amount over } \$1,006 \\
 & \$1,296.09 - \$1,006 = \$290.09 \\
 & \$290.09 \times 0.15 = \$43.51 \\
 & \text{Add } \$68.70 + \$43.51 = \$112.21 \qquad \text{Total Federal Tax to be withheld}
 \end{aligned}$$

2. An unmarried employee is paid \$4,000.00 monthly. 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	\$4,000.00
(2) allowances claimed on W4	\$ 650.00
(From the Allowance table)	
Deferred Comp deduction	\$ 0.00
Amount subject to withholding	\$3,350.00
(Subtract lines 2 & 3 from line 1)	

MONTHLY Payroll Period, for unmarried Person.

\$3,350.00 falls within the range of \$3,204 - \$7,504, use the following calculation:

$$\begin{aligned}
 & \$415.95 \text{ plus } 25\% \text{ of the amount over } \$3,204 \\
 & \$3,350.00 - \$3,204 = \$146.00 \\
 & \$146.00 \times 0.25 = \$36.50 \\
 & \text{Add } \$415.95 + \$36.50 = \$452.45 \qquad \text{Total Federal Tax to be withheld}
 \end{aligned}$$