

ALTERNATE METHODS OF WITHHOLDING WISCONSIN INCOME TAX

Employers are authorized to use these two alternate methods of withholding income tax without receiving any further approval from the department.

METHOD "A"

1. Procedure:

- (a) Multiply the total wage for the payroll period by the number of payroll periods in a year to determine the annual gross earnings.
- (b) Decrease the annual gross earnings by the deduction amount determined from the formula below.
 - For single persons:*
 - If annual gross earnings are less than \$15,200, deduction amount = \$5,730.
 - If annual gross earnings are \$62,950 or more, deduction amount = \$0.
 - If annual gross earnings are at least \$15,200 but less than \$62,950, deduction amount is obtained by subtracting from \$5,730, 12% of annual gross earnings in excess of \$15,200, i.e. deduction amount = \$5,730 – 0.12 (Annual gross earnings – \$15,200).
 - For married persons:*
 - If annual gross earnings are less than \$21,400, deduction amount = \$7,870.
 - If annual gross earnings are \$60,750 or more, deduction amount = \$0.
 - If annual gross earnings are at least \$21,400 but less than \$60,750, deduction amount is obtained by subtracting from \$7,870, 20% of annual gross earnings in excess of \$21,400, i.e. deduction amount = \$7,870 – 0.20 (Annual gross earnings – \$21,400).
- (c) Multiply the number of exemptions claimed by \$400 and subtract the result from the amount determined in (b) above. The result is the annual net wage.
- (d) Using the schedule of tax rates below, calculate the tax on the annual net wage as determined in (c) above.

Schedule of Tax Rates for Withholding	
If the annual net wage is:	The amount of tax is:
Not over \$10,910	4% of this amount
Over \$10,910 but not over \$21,820	\$436.40 + 5.84% of excess over \$10,910
Over \$21,820 but not over \$240,190	\$1,073.54 + 6.27% of excess over \$21,820
Over \$240,190	\$14,765.34 + 7.65% of excess over \$240,190

- (e) Divide (d) by the number of payroll periods. The result is the Wisconsin withholding tax for the payroll period.

2. Examples:

Example 1:

A single employee has a weekly wage of \$300 and claims one withholding exemption. The Wisconsin income tax to be withheld is computed as follows:

(a) Determine annual gross earnings (\$300 x 52 = \$15,600).....	\$15,600.00
(b) Determine deduction amount:	
\$5,730	
12% x (Annual gross earnings – \$15,200)	= 48.....
5,730	5,682.00
(c) Subtract (b) from (a).....	\$ 9,918.00
(d) Determine exemption amount (1 x \$400).....	400.00
(e) Subtract (d) from (c) to determine annual net wage.....	\$ 9,518.00
(f) Compute tax on (e) using schedule of tax rates	
Tax on \$9,518 at 4%	\$ 380.72
(g) Divide (f) by the number of payroll periods (52 in this example) to determine the withholding tax for the period...	<u>\$ 7.32</u>

Example 2:

A single employee has a weekly wage of \$500 and claims three withholding exemptions. The Wisconsin income tax to be withheld is computed as follows:

(a) Determine annual gross earnings (\$500 x 52 = \$26,000).....	\$ 26,000.00
(b) Determine deduction amount:	
\$5,730	
12% x (Annual gross earnings – \$15,200)	= 1,296.....
5,730	4,434.00
(c) Subtract (b) from (a).....	\$ 21,566.00
(d) Determine exemption amount (3 x \$400).....	1,200.00
(e) Subtract (d) from (c) to determine annual net wage.....	\$ 20,366.00
(f) Compute tax on (e) using schedule of tax rates	
Tax on \$10,910	\$436.40
Tax on \$9,456 at 5.84%	552.23.....
988.63	\$ 988.63
(g) Divide (f) by the number of payroll periods (52 in this example) to determine the withholding tax for the period...	<u>\$ 19.01</u>

Example 3:

A married employee has a biweekly wage of \$1,000 and claims three withholding exemptions. The Wisconsin income tax to be withheld is computed as follows:

(a) Determine annual gross earnings (\$1,000 x 26 = \$26,000).....		\$26,000.00
(b) Determine deduction amount:		
	\$7,870	
20% x (Annual gross earnings – \$21,400)	<u>– 920</u>	<u>6,950.00</u>
(c) Subtract (b) from (a).....		\$19,050.00
(d) Determine exemption amount (3 x \$400).....		<u>1,200.00</u>
(e) Subtract (d) from (c) to determine annual net wage.....		\$17,850.00
(f) Compute tax on (e) using schedule of tax rates		
Tax on \$10,910	\$436.40	
Tax on \$6,940 at 5.84%	<u>405.30</u>	\$ 841.70
(g) Divide (f) by the number of payroll periods (26 in this example) to determine the withholding tax for the period...		<u>\$ 32.37</u>

METHOD “B”

1. Procedure

- (a) Multiply the total wage for the payroll period by the number of payroll periods in a year to determine the annual gross earnings.
- (b) Use the appropriate (single or married) withholding schedule below to calculate the tax on the annual gross earnings.

Single Employee - Withholding Schedule

Annual Gross Earnings Are:	The Amount of Tax Is:
\$ -0- - \$ 5,730	-0-
\$ 5,731 - \$ 15,200	4% of excess over \$5,730
\$15,201 - \$ 16,486	\$378.80 plus 4.48% of excess over \$15,200
\$16,487 - \$ 26,227	\$436.41 plus 6.5408% of excess over \$16,486
\$26,228 - \$ 62,950	\$1,073.55 plus 7.0224% of excess over \$26,227
\$62,951 - \$ 240,190	\$3,652.39 plus 6.27% of excess over \$62,950
Over \$240,191	\$14,765.34 plus 7.65% of excess over \$240,190

Married Employee - Withholding Schedule

Annual Gross Earnings Are:	The Amount of Tax Is:
\$ -0- - \$ 7,870	-0-
\$ 7,871 - \$ 18,780	4% of excess over \$7,870
\$ 18,781 - \$ 21,400	\$436.40 plus 5.84% of excess over \$18,780
\$ 21,401 - \$ 28,308	\$589.41 plus 7.008% of excess over \$21,400
\$ 28,309 - \$ 60,750	\$1,073.52 plus 7.524% of excess over \$28,308
\$ 60,751 - \$ 240,190	\$3,514.46 plus 6.27% of excess over \$60,750
Over \$240,191	\$14,765.35 plus 7.65% of excess over \$240,190

- (c) Multiply the number of withholding exemptions claimed by \$22 and subtract the amount from the tax determined in (b) above.
- (d) Divide (c) by the number of payroll periods. The result is the Wisconsin withholding tax for the payroll period.

2. Examples:

Example 1:

A single employee has a weekly wage of \$300 and claims one withholding exemption. The Wisconsin income tax to be withheld is computed as follows:

(a) Determine annual gross earnings (\$300 x 52 = \$15,600).....	\$ 15,600.00
(b) Compute tax on (a) using the withholding schedule for a single employee	396.72
(c) Deduct credit for exemptions (1 x \$22).....	<u>22.00</u>
(d) Subtract amount on line (c) from line (b) to determine annual withholding	\$ 374.72
(e) Divide (d) by the number of payroll periods (52 in this example) to determine the withholding tax for the period ..	<u>\$ 7.21</u>

Example 2:

A married employee has a biweekly wage of \$700 and claims three withholding exemptions. The Wisconsin income tax to be withheld is computed as follows:

(a) Determine annual gross earnings (\$700 x 26 = \$18,200).....	\$18,200.00
(b) Compute tax on (a) using the withholding schedule for a married employee	413.20
(c) Deduct credit for exemptions (3 x \$22).....	<u>66.00</u>
(d) Subtract amount on line (c) from line (b) to determine annual withholding	\$ 347.20
(e) Divide (d) by the number of payroll periods (26 in this example) to determine the withholding tax for the period ..	<u>\$ 13.35</u>