

2011 Federal Income Tax Withholding Calculation

The IRS allows for different types of withholding methods to be used by employers. Prior to 2003, Indiana University used the withholding table based on whether the employee was paid on a biweekly basis or a monthly basis. Starting in 2003, we have switched withholding methods to the annualized method. The most substantial changes are occurring for those individuals that are paid on contract pay. Due to this new method, the result is little or no income tax being withheld. You may ask for additional income tax to be withheld on the W-4 and WH-4 forms. For assistance in completing the Federal form W-4, visit the IRS Withholding Calculator at <http://www.irs.gov/individuals/article/0,,id=96196.00.html> or refer to IRS Publication 919 at <http://www.irs.gov/pub/irs-pdf/p919.pdf>.

Annual income tax withholding method. Figure the income tax to withhold on annual wages under the Percentage Method for an annual payroll period. Then prorate the tax back to the payroll period.

Example: A married person claims three withholding allowances. She is paid \$3,333.33 a month. Multiply the monthly wages by 12 months to figure the annual wage of \$40,000. Subtract \$11,100 (the value of three withholding allowances multiplied by the 2011 annual allowance of \$3,700 from Table 1 below) for a balance of \$28,900. Using the married side of Table 7 - Annual payroll period, \$2,300 is withheld (\$28,900- \$24,900 times 15% plus \$1,700). Divide the annual tax by 12. The monthly tax to withhold is \$191.67. For someone that is on a 5 month contract, take the monthly wage times the number of days in the contract divided by 365 times 12 to figure the annualized wage. See [How are federal taxes calculated for contract employees?](#)

Table 5. Percentage Method—2011 Amount for One Withholding Allowance

Payroll Period	One Withholding Allowance
Weekly	\$ 71.15
Biweekly	142.31
Semimonthly	154.17
Monthly	308.33
Quarterly	925.00
Semiannually	1,850.00
Annually	3,700.00
Daily or miscellaneous (each day of the payroll period)	14.23

TABLE 7—ANNUAL Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$2,100		\$0		Not over \$7,900		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$2,100	—\$10,600	\$0.00 plus 10%	—\$2,100	\$7,900	—\$24,900	\$0.00 plus 10%	—\$7,900
\$10,600	—\$36,600	\$850.00 plus 15%	—\$10,600	\$24,900	—\$76,900	\$1,700.00 plus 15%	—\$24,900
\$36,600	—\$85,700	\$4,750.00 plus 25%	—\$36,600	\$76,900	—\$147,250	\$9,500.00 plus 25%	—\$76,900
\$85,700	—\$176,500	\$17,025.00 plus 28%	—\$85,700	\$147,250	—\$220,200	\$27,087.50 plus 28%	—\$147,250
\$176,500	—\$381,250	\$42,449.00 plus 33%	—\$176,500	\$220,200	—\$387,050	\$47,513.50 plus 33%	—\$220,200
\$381,250		\$110,016.50 plus 35%	—\$381,250	\$387,050		\$102,574.00 plus 35%	—\$387,050