

MEMORANDUM

TO: Personnel Specialists

FROM: Jennifer Gehrt
Associate Director

DATE: December 20, 2001

RE: 2002 Federal Withholding Tax Tables, 2002 Earned Income Credit Tables,
2002 Social Security Wage Base, 2002 Form W-4 Exemption Renewal, and
2002 Form W-5

For all paychecks issued on or after January 1, 2002, new withholding tax rates will apply. In addition, the federal standard deduction for one withholding allowance changes from \$2,900.00 to \$3,000.00 per year in calendar year 2002.

See Attachment 1 for the 2002 federal withholding tax tables. The current Kansas withholding tax tables will remain in effect so the Kansas table has not been included in this mailing. The Kansas standard deduction for one withholding allowance remains the same at \$2,250.00. Use 26 pay periods to arrive at the annualized amount for calculating both federal and state withholding tax.

The percentage tables for computing the Advance Earned Income Credit (EIC) payments are also revised effective for all paychecks issued on or after January 1, 2002 (Attachment 2).

Beginning January 1, 2002, the social security wage base for OASDI increases to \$84,900, up from the 2001 wage limit of \$80,400. The employer and employee contribution rates remain at 6.2% with a maximum contribution of \$5,263.80. There is no limit on the Medicare wage base and the employer and employee contribution rates remain at 1.45%.

Enclosed is the 2002 version of the Form W-5, Earned Income Credit Advance Payment Certificate. The form is also available on the HR website at <http://www.ksu.edu/hr/forms/>. Please use the 2002 forms for any paycheck dated January 1, 2002 or later, and destroy all 2001 forms. The Form W-4, Employee's Withholding Allowance Certificate for 2002 is not yet available from the IRS. As soon as it is, we will post it to the HR web-site at <http://www.ksu.edu/hr/forms/>.

Enclosed is a listing of employees in your department who are currently claiming "Exempt" from federal and state income tax withholding, if applicable. Tax law requires a new Form W-4 to be filed each year by those employees who claim exempt. **Exempt status expires February 15, each year.**

Employees may be eligible for the withholding tax exempt status if the following criteria are met:

1. The employee incurred no federal income tax liability for 2001; and,
2. The employee anticipates no federal income tax liability to be incurred for 2002.

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Employees must complete a new 2002 Form W-4 to extend or change their exempt status for the calendar year 2002. Please contact the employees on the enclosed listing, as well as new employees who are not listed, to advise them of these mandatory requirements. Employees working concurrently in more than one department have been included on each department listing. However, the employee needs only to submit one W-4 Exempt Renewal for each company of employment. **This listing does not include non-resident alien employees as they may only claim exempt from withholding if they are eligible for tax treaty benefits. Non-resident alien tax treaty information was provided in a separate memo.**

A new 2002 Form W-4 must be submitted to Human Resources as soon as possible, but no later than January 18, 2002. If a new Form W-4 is not received, the employee's tax status will be changed to Single and Zero exemptions per IRS regulations, on the February 15, 2002 paycheck.

If you have any questions, please contact your payroll processing liaison (Dennis Jones, Anna Carroll, or Kathy Kugle) at (785) 532-6277. Thanks for your assistance.

Attachments
Enclosures

Attachment 1

SUBJECT: New Federal Withholding Tax Rates for 2002

New federal withholding tax rates are in effect and will be used for all paychecks dated January 1, 2002 and later. The federal withholding allowance amount increases to \$3000.00.

Federal withholding tax is computed as follows:

	Example:	
	Single &	Married &
	<u>One Allowance</u>	<u>Two Allowances</u>
A. Compute the federal withholding tax		
Base as follows:		
1. Biweekly gross salary less tax sheltered amounts*	\$1,000.00	\$1,000.00
2. Multiply by 26 to get the annual taxable wage	<u> x26</u>	<u> x26</u>
	\$26,000.00	\$26,000.00
3. Multiply the number of allowances claimed on Form W-4 (also shown on paychecks stubs) by \$3000.00	<u>- \$3000.00</u>	<u>- \$6000.00</u>
4. Federal withholding tax base (FWTB)	\$23,000.00	\$20,000.00

B. Using the federal withholding tax base (FWTB) determined in A above, compute the federal withholding tax from one of the following tables.

SINGLE PERSON

WAGES LESS WITHHOLDING ALLOWANCE:		INCOME TAX TO BE WITHHELD:	
<u>OVER</u>	<u>BUT NOT OVER</u>	<u>OF EXCESS OVER</u>	
\$ 0.00	\$ 2,650.00	\$.00	\$
\$ 2,650.00	\$ 8,550.00	\$.00 PLUS 10 %	\$ 2,650.00
\$ 8,550.00	\$ 29,650.00	\$ 590.00 PLUS 15 %	\$ 8,550.00
\$ 29,650.00	\$ 64,820.00	\$ 3,755.00 PLUS 27 %	\$ 29,650.00
\$ 64,820.00	\$142,950.00	\$13,250.90 PLUS 30 %	\$ 64,820.00
\$142,950.00	\$308,750.00	\$36,689.90 PLUS 35 %	\$142,950.00
\$308,750.00		\$94,719.90 PLUS 38.6%	\$308,750.00

Divide the result by 26 to obtain the amount of federal tax to be withheld from the paycheck each pay period.

MARRIED PERSON

WAGES LESS WITHHOLDING ALLOWANCE:		INCOME TAX TO BE WITHHELD:	
<u>OVER</u>	<u>BUT NOT OVER</u>	<u>OF EXCESS OVER</u>	
\$ 0.00	\$ 6,450.00	\$.00	\$
\$ 6,450.00	\$ 18,450.00	\$.00 PLUS 10 %	\$ 6,450.00
\$ 18,450.00	\$ 51,550.00	\$ 1,200.00 PLUS 15 %	\$ 18,450.00
\$ 51,550.00	\$109,700.00	\$ 6,165.00 PLUS 27 %	\$ 51,550.00
\$109,700.00	\$176,800.00	\$21,865.50 PLUS 30 %	\$109,700.00
\$176,800.00	\$311,900.00	\$41,995.50 PLUS 35 %	\$176,800.00
\$311,900.00		\$89,280.50 PLUS 38.6%	\$311,900.00

Divide the result by 26 to obtain the amount of federal tax to be withheld from each paycheck each pay period.

*Tax Shelter amounts include TSA retirement (Board of Regents Retirement Plan), KPERS deduction, voluntary TSA contribution, Kansas deferred compensation deduction, employee premiums for non-taxable group health insurance, KanElect flexible spending account deductions, and pre-tax parking. If you have any questions, please call Human Resources, Payroll, 532-6277.

Attachment 2

ADVANCE EARNED INCOME CREDIT
2002

ANNUAL
SINGLE PERSON OR HEAD OF HOUSEHOLD DETERMINING THE AMOUNT OF
PAYMENT TO BE MADE

To determine the amount of advance earned income credit use the following tables. Do not deduct the withholding exemption from the gross wages.

IF THE AMOUNT
OF WAGES (BEFORE
DEDUCTING WITHHOLDING
ALLOWANCES) IS:

THE AMOUNT OF PAYMENT TO BE
MADE SHALL BE:

OVERBUT NOT OVER

\$ 0.00 \$ 7,370.00
\$ 7,370.00 \$13,520.00
\$13,520.00

20.40% OF WAGES
\$1,503.00
\$1,503.00 LESS 9.588% OF WAGES
IN EXCESS OF \$13,520.00

ANNUAL
MARRIED PERSON WITHOUT SPOUSE FILING CERTIFICATE

IF THE AMOUNT
OF WAGES (BEFORE
DEDUCTING WITHHOLDING
ALLOWANCES) IS:

THE AMOUNT OF PAYMENT TO BE
MADE SHALL BE:

OVER BUT NOT OVER

\$ 0.00 \$ 7,370.00
\$ 7,370.00 \$14,520.00
\$ 14,520.00

20.40% OF WAGES
\$1,503.00
\$1,503.00 LESS 9.588% OF WAGES
IN EXCESS OF \$14,520.00

ANNUAL
MARRIED PERSON WITH BOTH SPOUSES FILING CERTIFICATE

IF THE AMOUNT
OF WAGES (BEFORE
DEDUCTING WITHHOLDING
ALLOWANCES) IS:

THE AMOUNT OF PAYMENT TO BE
MADE SHALL BE:

OVER BUT NOT OVER

\$ 0.00 \$ 3,685.00
\$ 3,685.00 \$ 7,260.00
\$ 7,260.00

20.40% OF WAGES
\$752.00
\$752.00 LESS 9.588% OF WAGES
IN EXCESS OF \$7,260.00