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Dear Employee:

The methodology for calculating withholding taxes for all State employees, including adjunct employees in the State and City Universities, was changed when New York State converted to a new payroll system in late-1998. Since then, there have been many inquiries about the impact of this methodology on individual paychecks. This letter will provide you with information about the current tax withholding methodology and the action steps you should consider to ensure that the proper amount of taxes are being withheld from your paycheck.

Prior to conversion to the new payroll system, the bi-weekly tax rate methodology was used to calculate withholding taxes. This methodology calculates withholding taxes based on earnings in each paycheck, without regard to the contract period or the total amount earned over the contract period. The bi-weekly methodology assumes that the same bi-weekly amount will be earned for an entire year.

The annualized tax rate methodology replaced the bi-weekly methodology upon conversion to the new payroll system. Unlike the bi-weekly methodology, the annualized methodology does not assume that the same amount will be earned for an entire year. The annualized methodology calculates withholding taxes for adjunct employees based upon total contract earnings and the number of payroll periods within the contract period. Specifically, total earnings over the contract period determine an annual withholding tax amount, which is then divided by the number of paychecks in the contract period to determine a bi-weekly withholding amount. An example of the annualized tax rate methodology is attached to this letter.

Both the bi-weekly and the annualized tax rate methodologies comply with Federal, State and local regulations. However, the annualized methodology will generally result in lower withholdings. In certain cases, this methodology will result in no taxes being withheld.

To ensure that the proper withholding taxes are being deducted from your paycheck, I encourage you to consider the following action steps:

1. Review your current withholding status with a professional tax advisor
2. Review your paycheck stub each payday, check the amount of taxes withheld and adjust your withholding allowances and/or marital status, as appropriate
3. Determine whether withholding additional taxes is necessary
4. Reconsider your withholding status if your contract dates and amounts change

I hope you find this information useful.

Sincerely,
Robin R. Rabii, Director
State Payroll Services