

## NOTICE TO EMPLOYEES

Date: 1/25/18

TO: Employees  
FROM: Dawnalyn Murakawa - Leopard  
SUBJECT: Year 2018 Income Tax Changes and Withholding  
Information Effective January 1, 2018 - Revised

### Federal and State Income Tax Withholding

Newly-released federal tax changes will be implemented for payrolls issuing on and after February 1, 2018. The federal and state income tax withholding brackets have been revised and are included with this notice.

### Employee Social Security/OASDI and Medicare

The Social Security/OASDI employee rate for 2018 remains unchanged at 6.2 percent. The maximum wages subject to Social Security/OASDI has increased for 2018. There is no Medicare wage cap for employees. Employee rates remain unchanged at 1.45 percent; however, the Additional Medicare Tax introduced in 2013 requires that employers withhold an additional 0.9 percent on wages paid to employees in excess of \$200,000 in a calendar year. This additional tax must be withheld in the pay period in which wages are paid in excess of \$200,000.

Tax Summary	Year 2017	Year 2018
Annual Federal Withholding Allowance	\$ 4,050	\$ 4,150
Social Security/OASDI Rate	6.2 percent	6.2 percent
Medicare Rate*	1.45 percent	1.45 percent
Social Security Maximum Wage Base	\$127,200	\$128,400
Medicare Maximum Wage Base	no limit	no limit
Maximum Medicare Contribution (1.45%)	no limit	no limit

\*Additional Medicare Tax = 0.9 percent for wages in excess of \$200,000 per year

### Federal Withholding – Form W-4

You must file a new or amended *Form W-4*, “*Employee’s Withholding Allowance Certificate*”, if your filing status, exemption allowances or exempt status has changed since your last W-4 was filed. If you claimed exemption from withholding tax in 2017, you must amend your current *Form W-4* for year 2018 no later than February 15, 2018, if you want to continue to claim the exemption in 2018. If you no longer claim exempt status, you must file a new W-4 for January tax withholding.

### State Withholding – Form DE

Unless you file a state *Form DE 4*, state tax withholding is based on your federal W-4. You may elect to have different federal and state exemption levels or claim state personal estimated withholding allowances by filing both forms.

*Some items in this notice are intended to comply with employee notification requirements of the IRS.*

Should you have any questions regarding this information, please call payroll. Cert @ 5937 – Class @ 5936

Attachment No. 3  
Inf. Bul. No: 4742  
SFS-A36-2017-2018

# YEAR 2018 TAX RATES

## FEDERAL TAX REVISION

### WAGES PAID ON OR AFTER FEBRUARY 1, 2018

See Reverse for General Tax Calculation Procedures

#### FEDERAL ANNUAL TAX RATES

Table "A"

Rates are applied to *annual taxable earnings\** (annual gross earnings less salary reductions) less \$4,150 times number of exemptions claimed.

##### SINGLE person — including HEAD OF HOUSEHOLD

If the amount of wages (after subtracting withholding allowances) is:  
 Not over \$3,700

The amount of income tax to be withheld is:  
 \$0

Over—	But not over—	Computed tax is:	Of excess over—
\$ 3,700—	\$ 13,225 .	\$ 0.00 plus 10.0%—	\$ 3,700
\$ 13,225—	\$ 42,400 .	\$ 952.50 plus 12.0%—	\$ 13,225
\$ 42,400—	\$ 86,200 .	\$ 4,453.50 plus 22.0%—	\$ 42,400
\$ 86,200—	\$ 161,200 .	\$ 14,089.50 plus 24.0%—	\$ 86,200
\$ 161,200—	\$ 203,700 .	\$ 32,089.50 plus 32.0%—	\$ 161,200
\$ 203,700—	\$ 503,700 .	\$ 45,689.50 plus 35.0%—	\$ 203,700
\$ 503,700 . . . . .		\$150,689.50 plus 37.0%—	\$ 503,700

##### MARRIED person

If the amount of wages (after subtracting withholding allowances) is:  
 Not over \$11,550

The amount of income tax to be withheld is:  
 \$0

Over—	But not over—	Computed tax is:	Of excess over—
\$ 11,550—	\$ 30,600 .	\$ 0.00 plus 10.0%—	\$ 11,550
\$ 30,600—	\$ 88,950 .	\$ 1,905.00 plus 12.0%—	\$ 30,600
\$ 88,950—	\$ 176,550 .	\$ 8,907.00 plus 22.0%—	\$ 88,950
\$ 176,550—	\$ 326,550 .	\$ 28,179.00 plus 24.0%—	\$ 176,550
\$ 326,550—	\$ 411,550 .	\$ 64,179.00 plus 32.0%—	\$ 326,550
\$ 411,550—	\$ 611,550 .	\$ 91,379.00 plus 35.0%—	\$ 411,550
\$ 611,550 . . . . .		\$161,379.00 plus 37.0%—	\$ 611,550

#### OTHER RATES

OASDI Tax Rate—Employee and Employer (Not including Medicare)	6.2 percent
OASDI maximum wage base—Employee and Employer	\$128,400.00
Maximum OASDI contribution—Employee and Employer	\$7,960.80
Medicare Tax Rate	1.45 percent
Additional Medicare Tax—Employee wages over \$200,000	0.90 percent
Medicare maximum wage base	No limit
Medicare maximum contribution	No limit
School Employees Fund SUI Rate (FY17-18)	0.05 percent
CA Disability Insurance (SDI)	1.0 percent
SDI maximum wage base	\$114,967.00
CalSTRS/CalPERS	See employer
IRS Standard Mileage Rate (1-1-18)	54.5 cents per mile
Federal Supplemental Tax Rate	22 percent
State Supplemental Tax Rate	6.6 percent

#### SALARY REDUCTIONS

Salary reductions which reduce taxable earnings include Employee contributions to:

Deferred Tax Sheltered Annuity (403b/TSA)	Deferred Compensation (457b)
Employee portion of CalSTRS/CalPERS	Section 125 Plan benefits
Alternative Retirement Plans	

#### STATE ANNUAL TAX RATES

Table "B"

Rates apply to *annual taxable earnings\** (annual gross earnings less salary reductions) as follows:

- \$0 tax if annual taxable earnings are equal to or less than \$14,048 if SINGLE or MARRIED — 0 or 1 exemption \$28,095 if UNMARRIED HEAD of HOUSEHOLD or MARRIED—2 or more exemptions
- Apply rate to annual taxable earnings less standard deduction and less \$1,000 for each Estimated Deduction\*\* Allowance

Standard deduction	
MARRIED — 0 or 1 exemption	\$4,236
2 or more exemptions	\$8,472
SINGLE —	\$4,236
UNMARRIED HEAD of HOUSEHOLD —	\$8,472

##### SINGLE, MARRIED WITH DUAL INCOME, or MARRIED WITH MULTIPLE EMPLOYERS

If the taxable income is:

Over—	But not over—	Computed tax is:	Of amount over—
\$ 0 —	\$ 8,223 .	\$ 0.00 plus 1.10%—	\$ 0
\$ 8,223 —	\$ 19,495 .	\$ 90.45 plus 2.20%—	\$ 8,223
\$ 19,495 —	\$ 30,769 .	\$ 338.43 plus 4.40%—	\$ 19,495
\$ 30,769 —	\$ 42,711 .	\$ 834.49 plus 6.60%—	\$ 30,769
\$ 42,711 —	\$ 53,980 .	\$ 1,622.66 plus 8.80%—	\$ 42,711
\$ 53,980 —	\$ 275,738 .	\$ 2,614.33 plus 10.23%—	\$ 53,980
\$ 275,738 —	\$ 330,884 .	\$ 25,300.17 plus 11.33%—	\$ 275,738
\$ 330,884 —	\$ 551,473 .	\$ 31,548.21 plus 12.43%—	\$ 330,884
\$ 551,473 —	\$1,000,000 .	\$ 58,967.42 plus 13.53%—	\$ 551,473
\$1,000,000 and over . . . . .		\$119,653.12 plus 14.63%—	\$1,000,000

##### MARRIED person —

If the taxable income is:

Over—	But not over—	Computed tax is:	Of amount over—
\$ 0 —	\$ 16,446 .	\$ 0.00 plus 1.10%—	\$ 0
\$ 16,446 —	\$ 38,990 .	\$ 180.91 plus 2.20%—	\$ 16,446
\$ 38,990 —	\$ 61,538 .	\$ 676.88 plus 4.40%—	\$ 38,990
\$ 61,538 —	\$ 85,422 .	\$ 1,668.99 plus 6.60%—	\$ 61,538
\$ 85,422 —	\$ 107,960 .	\$ 3,245.33 plus 8.80%—	\$ 85,422
\$ 107,960 —	\$ 551,476 .	\$ 5,228.67 plus 10.23%—	\$ 107,960
\$ 551,476 —	\$ 661,768 .	\$ 50,600.36 plus 11.33%—	\$ 551,476
\$ 661,768 —	\$1,000,000 .	\$ 63,096.44 plus 12.43%—	\$ 661,768
\$1,000,000 —	\$1,102,946 .	\$105,138.68 plus 13.53%—	\$1,000,000
\$1,102,946 and over . . . . .		\$119,067.26 plus 14.63%—	\$1,102,946

##### UNMARRIED/HEAD OF HOUSEHOLD—

If the taxable income is:

Over—	But not over—	Computed tax is:	Of amount over—
\$ 0 —	\$ 16,457 .	\$ 0.00 plus 1.10%—	\$ 0
\$ 16,457 —	\$ 38,991 .	\$ 181.03 plus 2.20%—	\$ 16,457
\$ 38,991 —	\$ 50,264 .	\$ 676.78 plus 4.40%—	\$ 38,991
\$ 50,264 —	\$ 62,206 .	\$ 1,172.79 plus 6.60%—	\$ 50,264
\$ 62,206 —	\$ 73,477 .	\$ 1,960.96 plus 8.80%—	\$ 62,206
\$ 73,477 —	\$ 375,002 .	\$ 2,952.81 plus 10.23%—	\$ 73,477
\$ 375,002 —	\$ 450,003 .	\$ 33,798.82 plus 11.33%—	\$ 375,002
\$ 450,003 —	\$ 750,003 .	\$ 42,296.43 plus 12.43%—	\$ 450,003
\$ 750,003 —	\$1,000,000 .	\$ 79,586.43 plus 13.53%—	\$ 750,003
\$1,000,000 and over . . . . .		\$113,411.02 plus 14.63%—	\$1,000,000

- Reduce result of b) by personal allowance tax credit to arrive at annual tax:  
 Personal allowance credit\*\*\* for Single, Married, and Head of Household  
 0 Allowance — \$0  
 1 or More Allowances — \$125.40 for each allowance

\* See reverse side for calculation of annual taxable earnings.

\*\* **Estimated deductions** are *not* the same as the personal allowances on Form DE-4, California "Employee's Withholding Allowance Certificate." Apply personal allowances credit only in step (c) of the computation.

\*\*\* Credit is for personal allowances only; exclude estimated deduction allowances.

## Tax Withholding—General Calculation Procedures

The following is provided as a general explanation of how tax withholding is calculated for a **basic payment situation**. An employee is being paid for the prime job only and for one pay period only, and the payment is made on the employee's prime cycle.

Step 1: Determine *gross earnings* for the pay period.

Step 2: Determine *salary reductions* for the pay period.

Step 3: Subtract *salary reductions* from *gross earnings*. This result equals the *period taxable earnings*.

Step 4: Multiply *period taxable earnings* by the calendar number of months (10, 11 or 12) of the job. The result equals federal/state *annual gross earnings*.

Step 5: Calculate *annual taxes* from Step 4 using *Tax Tables A and B*. See reverse side.

Step 6: Divide Step 5, *annual taxes*, by pay calendar months to arrive at taxes withheld for the pay period.

### IMPORTANT:

The calculation process **above** is a very basic example. More complex situations include:

- Earnings for more than one assignment;
- Payments involving different pay periods or different calendars;
- Supplemental pay;
- Payments on cycles other than the prime cycle;
- Payments involving adjustments; and
- Payments using the flat-tax rate option for additional earnings.