

## IRS issues early release of 2017 federal income tax percentage method withholding

The IRS issued [Notice 1036](#) containing the tentative 2017 percentage method tables for income tax withholding.

See the following pages for the annual percentage method.

Keep in mind this information could be revised by legislative enactments later this month. Employers and tax practitioners should check for updates [here](#).

### Social Security and Medicare tax

As previously reported, the 2017 Social Security wage base is increased from \$118,500 to \$127,200. (See *EY Payroll Newsflash*, Vol. 17, #173, 10-19-2016.)

The Social Security and Medicare tax rates for both the employer and the employee remain unchanged at 6.2% and 1.45%, respectively.

Also unchanged is the Additional Medicare tax. Employers are required to withhold Additional Medicare tax of 0.9% on Medicare wages in excess of \$200,000. There is no employer contribution.

### Nonresident alien employee income tax calculation

For 2017, apply the following procedure to determine the amount of federal income tax withholding to be deducted from the wages of nonresident alien employees performing services within the US. Add the amounts shown on the chart on the following page to their wages, and apply the withholding tables to compute the federal income tax withholding.

Note: Nonresident alien students from India and business apprentices from India are not subject to this procedure.

Continued on the next page.

## Supplemental wages

As in 2016, employers may optionally use a flat income tax withholding rate of 25% on supplemental wages provided income tax was withheld from regular wages in the current or previous year.

A flat federal income tax rate of 39.6% must be used on supplemental wages paid to an employee in 2017 in excess of \$1 million. The 39.6% flat rate applies even if the employee claims exemption from federal income tax withholding on the Form W-4.

For more information concerning supplemental wages, see IRS [Publication 15](#).

Check out the *Ernst & Young 2016 payroll checklist* [here](#).

**Amount to add to nonresident alien employee's wages for calculating 2017 income tax withholding only**

<b>Payroll period</b>	<b>Add additional</b>
Daily or miscellaneous	\$ 8.80
Weekly	\$ 44.20
Biweekly	\$ 88.50
Semimonthly	\$ 95.80
Monthly	\$ 191.70
Quarterly	\$ 575.00
Semiannually	\$1,150.00
Annually	\$2,300.00

**2017 annual percentage method withholding**

The following is a reprint of the tax year 2017 annual percentage method of federal income tax withholding. Note these amounts are unchanged from 2016.

**2017 personal allowances**

<b>Payroll period</b>	<b>One withholding allowance</b>
Daily or miscellaneous	\$ 15.60
Weekly	\$ 77.90
Biweekly	\$ 155.80
Semimonthly	\$ 168.80
Monthly	\$ 337.50
Quarterly	\$1,012.50
Semiannually	\$2,025.00
Annually	\$4,050.00

**Table 7—Annual payroll period (for 2017)**

**(a) Single person (including head of household)**

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$2,300		\$-0-	
<b>Over</b>	<b>But not over</b>		<b>Of excess over</b>
\$ 2,300	\$ 11,625	\$ 000.00 + 10.0%	\$ 2,300
\$ 11,625	\$ 40,250	\$ 932.50 + 15.0%	\$ 11,625
\$ 40,250	\$ 94,200	\$ 5,226.25 + 25.0%	\$ 40,250
\$ 94,200	\$193,950	\$ 18,713.75 + 28.0%	\$ 94,200
\$ 193,950	\$419,000	\$ 46,643.75 + 33.0%	\$ 193,950
\$ 419,000	\$420,700	\$120,910.25 + 35.0%	\$ 419,000
\$420,700	And over	\$121,505.25 + 39.6%	\$420,700

**(b) Married person**

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$8,650		\$-0-	
<b>Over</b>	<b>But not over</b>		<b>Of excess over</b>
\$ 8,650	\$ 27,300	\$ 000.00 + 10.0%	\$ 8,650
\$ 27,300	\$ 84,550	\$ 1,865.00 + 15.0%	\$ 27,300
\$ 84,550	\$ 161,750	\$ 10,452.50 + 25.0%	\$ 84,550
\$161,750	\$242,000	\$ 29,752.50 + 28.0%	\$161,750
\$242,000	\$425,350	\$ 52,222.50 + 33.0%	\$242,000
\$425,350	\$479,350	\$ 112,728.00 + 35.0%	\$425,350
\$479,350		\$131,628.00 + 39.6%	\$479,350

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