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Grassley Clarifies Taxpayers' Withholding Concerns

WASHINGTON – Sen. Chuck Grassley, ranking member of the Committee on Finance, has secured assurance from Treasury Department officials that they will clear up any confusion created for taxpayers by newly released payroll tables.

Some taxpayers have expressed concern that the newly released payroll tables require an increase – not a decrease – in federal tax withholding, even though the tax cut took effect on July 1<sup>st</sup>. “This taxpayer perception concerned me because federal income tax withholding should go down, not up, as a result of the tax cut,” Grassley said.

After learning of taxpayer concerns, Grassley asked the Treasury Department to investigate. Treasury officials then assured Grassley they would clear up any confusion created for taxpayers.

Grassley said Publication 15-T, which contains the revised withholding rates for wages paid after June 30, 2001, has two different sets of withholding tables in a single payroll document, which has caused some taxpayer confusion.

Publication 15-T updates the withholding rate tables contained in Publication 15 – Employer’s Tax Guide; Publication 15-A – Employer’s Supplemental Tax Guide; and Publication 51 – Agricultural Employer’s Tax Guide. Publication 15 contains only income tax withholding. Publication 15-A contains combined withholding rates for income taxes and the employee’s portion of Social Security and Medicare taxes. Employers are accustomed to having these two separate sets of withholding tables in these separate publications.

Publication 15-T, however, pools these two separate sets of tables into a single publication. The tables for “income tax only” withholding are found on pages 5 through 36 of Publication 15-T. These tables correspond to the tables in Publication 15. The tables for combined withholding of income taxes and the employee’s portion of Social Security and Medicare taxes are on pages 37 through 57 of Publication 15-T, and correspond to the tables of Publication 15-A. In an attempt to streamline that amount of paper generated by revising the withholding tables, the Treasury Department inadvertently confused some employers who were comparing the combined tables in the back of Publication 15-T to the “income tax only” tables of Publication 15.

“I can’t really blame the Treasury Department for this,” Grassley said. “The agency was trying to be efficient by combining the revised tables into a single document, and being efficient is what the taxpayers want. But the department could have done a better job of explaining which set of updated tables related to Publications 15 and 15-A. Next time, I hope the publications will be more clear for taxpayers.”

