



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 12-28, Michigan State Income Tax Withholding

Date: October 5, 2012

To: Subscribers of Tax Bulletins

Beginning with wages paid for Pay Period 21, 2012, the National Finance Center (NFC) will make the following changes to the State of Michigan State income tax withholdings:

- The exemption allowance will increase from \$3,700 to \$3,950.
- The tax rate will decrease from 4.35 percent to 4.25 percent.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the *NFC Home Page* (<http://www.nfc.usda.gov>) and click the **Publications** link at the top of the page. At the Publications page right-hand menu, click **Tax Formulas** and select the appropriate State from the map provided. Changes to the tax formula are identified by "▶◀".

For questions about NFC processing, Authorized Servicing Personnel Office (SPO) representatives should contact the NFC Contact Center at **1-855-NFC4GOV (1-855-632-4468)** or via the Internet using the Requester Console user identification (ID).

for

RANDY L. SPEED, Director
Government Employees Services Division

NFC BULLETIN

Michigan State Income Tax Information

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| State Abbreviation: | MI |
| State Tax Withholding State Code: | 26 |
| Acceptable Exemption Form: | MI-W4 |
| Basis for Withholding: | State Exemptions |
| Acceptable Exemption Data: | 0/Number of Allowances |
| TSP Deferred: | Yes |
| Special Coding: | Determine the Total Number of Allowances Claimed field as follows: First Position - Enter 0 (zero) Second or Third Positions - Enter the number of exemptions claimed (Line 6 on the MI-W4). |
| Additional Information: | None |

Withholding Formula ▶(Effective Pay Period 21, 2012)◀

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes dental and vision insurance program and flexible spending account - health care and dependent care deductions) from the amount computed in Step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in Step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.
5. Determine the exemption allowance by applying the following guideline and subtract this amount from the gross annual wages to compute the taxable income.
$$\text{Exemption Allowance} = \text{▶\$3,950◀} \times \text{Number of (Personal/Dependency) Exemptions}$$
6. Multiply the result of Step 5 by ▶4.25◀ percent to obtain the amount of annual Michigan tax withholding.
7. Divide the annual Michigan tax withholding by 26 to obtain the biweekly Michigan tax withholding.