



Title: I, Payroll/Personnel Manual

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

Bulletin: TAXES 13-3, Federal Income Tax Withholding

Date: January 10, 2013

To: Subscribers of Tax Bulletins

This bulletin provides information concerning: (1) Federal income tax withholding formula changes for calendar year (CY) 2013 and (2) submission of Internal Revenue Service (IRS) Form W-4, Employee's Withholding Allowance Certificate, to claim total tax exemption from Federal income tax for CY 2013.

#### **Federal Income Tax Withholding**

Effective January 1, 2013, the Federal income tax withholding tax formula will change. The Single or Head of Household and Married withholding tables change and the exemption allowance will increase from \$3,800 to \$3,900.

Beginning with salary payments for Pay Period 27, 2012, Federal income tax will automatically be withheld in accordance with the new formula. 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 "▶◀".

#### **W-4, Employee's Withholding Allowance Certificate**

Employees who intend to claim total Federal tax exemption for CY 2013 must submit a new W-4 prior to February 24, 2013. Effective Pay Period 04, 2013, employees who claimed total exemption for CY 2012 and who have not filed a new W-4 for CY 2013 will have Federal taxes withheld as single taxpayers with zero withholding allowance. A W-4 filed for the prior year does not extend tax exemption into CY 2013. A new W-4 must be filed for CY 2013.

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**Inquires**

For questions about NFC processing, authorized Servicing Personnel Office representatives should contact the NFC Contact Center at **1-855-NFC-4GOV (1-855-632-4468)** or via the Internet using the Requester Console.



RANDY L. SPEED, Director  
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## Federal Income Tax Withholding Formula

<b>Acceptable Exemption Form:</b>	W-4
<b>Basis for Withholding:</b>	Federal Exemptions
<b>Acceptable Exemption Data:</b>	S, M/Number of Allowances
<b>TSP Deferred:</b>	Yes
<b>Special Coding:</b>	None
<b>Additional Information:</b>	Single or Head of Household will both elect Single (S) marital status on line 3 of Form W-4.

### Withholding Formula ▶(Effective Pay Period 27, 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 (i.e., taxable life insurance) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.
5. Determine the exemption allowance by applying the following guideline. Subtract this amount from the annual wages to obtain the taxable income.  
  
Exemption Allowance = ▶\$3,900◀ x Number of Exemptions
6. Apply the taxable income computed in step 5 to the following table to determine the Federal income tax withholding.

#### Tax Withholding Table

##### Single or Head of Household

If the Amount of Taxable Income Is:		The Amount of Federal Income Tax Withholding Should Be:		
Not more than ▶\$2,200◀		\$0		
<b>Over:</b>	<b>But Not Over:</b>	<b>Of Excess Over:</b>		
▶\$2,200	11,125	0	plus	10.0% 2,200

**Tax Withholding Table**

**Single or Head of Household**

<b>If the Amount of Taxable Income Is:</b>		<b>The Amount of Federal Income Tax Withholding Should Be:</b>			
11,125	38,450	892.50	plus	15.0%	11,125
38,450	90,050	4,991.25	plus	25.0%	38,450
90,050	185,450	17,891.25	plus	28.0%	90,050
185,450	400,550	44,603.25	plus	33.0%	185,450
400,550	402,200	115,586.25	plus	35.0%	400,550
402,200	and over	116,163.75	plus	39.6%	402,200

**Tax Withholding Table**

**Married**

<b>If the Amount of Taxable Income Is:</b>		<b>The Amount of Federal Income Tax Withholding Should Be:</b>			
Not more than \$8,300		\$0			
<b>Over:</b>	<b>But Not Over:</b>	<b>Of Excess Over:</b>			
\$8,300	26,150	0	plus	10.0%	8,300
26,150	80,800	1,785.00	plus	15.0%	26,150
80,800	154,700	9,982.50	plus	25.0%	80,800
154,700	231,350	28,457.50	plus	28.0%	154,700
231,350	406,650	49,919.50	plus	33.0%	231,350
406,650	458,300	107,768.50	plus	35.0%	406,650
458,300	and over	125,846.00	plus	39.6%	458,300

7. Divide the annual Federal income tax withholding by 26 to obtain the biweekly Federal Income tax withholding.