

United States

April 28, 2009

### PwC International Assignment Services Network

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## New York revises withholding tax computation rules

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### In Brief

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The New York State Commissioner of Taxation and Finance has amended, as part of an emergency measure, the regulations with respect to the New York State and City of Yonkers withholding tables and other withholding methods. These legislative changes are applicable to wages and other compensation paid on or after May 1, 2009.

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As part of an emergency measure, the New York State Commissioner of Taxation and Finance has amended the New York State personal income tax rates and the Yonkers resident personal income tax rates for certain taxpayers. According to these legislative changes, effective for payrolls made on or after May 1, 2009, employers must use the rules described in Publication NYS-50-T.1 and the revised withholding methods included in that publication to compute the amount of taxes to be withheld from employees.

Please note that the New York City personal income tax rates and the Yonkers nonresident earnings tax rates have not changed and employers may continue to use the methods in Publication NYS-50-T (dated 1/06) to determine the amount of New York City personal income tax and Yonkers nonresident earnings tax to be withheld from payments of regular and supplemental wages.

Noticeable changes in the legislative updates occur in the *Method II - Exact Calculation Method* tables for both single and married taxpayers whereby additional wage brackets have been created with significantly higher withholding rates. As a result, based on the new annual tax rate schedule for married taxpayers, those individuals with wages above \$300,000 can expect withholding at the following rates: \$300,000 - \$350,000 at 17.85%, \$350,000 - \$500,000 at 8.85%, \$500,000 - \$550,000 at 27.33%, and above \$550,000 at 11.03%.

For single taxpayers, based on the new annual tax rate schedule, with wages above \$200,000 can expect withholding at the following rates: \$200,000 - \$300,000 at 8.85%, \$300,000 - \$350,000 at 14.85%, \$350,000 - \$500,000 at 8.85%, \$500,000 - \$550,000 at 27.33%, and above \$550,000 at 11.03%.

## Regular withholding rates

Effective May 1, 2009, the following rules apply for computing the amount of New York State personal income tax and Yonkers resident income tax to be withheld:

- For users of Method I, *Wage bracket tables* (look-up tables), employers can continue to use the New York State and Yonkers tables contained in Publication NYS-50-T (dated 1/06) to compute withholding tax for their employees. These tables may only be used for wages paid that are less than \$33,800 per year (for biweekly and weekly payroll period users) and less than \$32,640 per year (for semimonthly and monthly payroll period users).
- For users of Method II (either by election or are required to do so), *Exact Calculation Method*, employers must use the revised exact calculation method(s) contained in Publication NYS-50-T.1. These exact calculation methods for the New York State personal income tax and Yonkers resident personal income tax are effective from May 1, 2009 and replace those previously listed in Publication NYS-50-T (dated 1/06).
- For users of the dollar-to-dollar withholding tables instead of the exact calculation method, employers can continue to use the dollar-to-dollar withholding tables contained in Publication NYS-50-T (dated 1/06). This table may only be used for net taxable weekly wages paid up to \$600.

For the full details of Publication NYS-50-T.1, please visit the New York State Department of Taxation and Finance's website or use the following link:

[http://www.tax.state.ny.us/pdf/publications/withholding/nys50\\_t1.pdf](http://www.tax.state.ny.us/pdf/publications/withholding/nys50_t1.pdf).

## Supplemental withholding rates

In addition, for employers who pay supplemental wages (bonuses, commissions, overtime pay,

sales awards, etc.), the following supplemental withholding rates apply from May 1, 2009:

New York State	11.03%
New York City	4.00%
Yonkers Resident	1.103%
Yonkers Nonresident	0.50%

The New York City and Yonkers Nonresident rates are unchanged, but the New York State and Yonkers Resident rates have both increased from 7.35% to 11.03% and .735% to 1.103% respectively.

## Form IT-2104 — Employee's Withholding Allowance Certificate

The New York State Form IT-2104 (2009) has also been revised to reflect the recent legislative changes. The new rules described in Publication NYS-50-T.1 and their implemented changes by employers should ensure that the proper amount of tax is withheld for 2009. However, in certain instances (such as employees who have more than one job, or dual working married employees), the new rules may result in an insufficient amount of tax being withheld for New York State and Yonkers resident purposes. Employers should encourage employees in these situations to complete a revised Form IT-2104 to prevent under withholding for the 2009 tax year. The revised Form IT-2104 can be found at the following link:

[http://www.tax.state.ny.us/pdf/2009/fillin/wt/it2104\\_409\\_fill\\_in.pdf](http://www.tax.state.ny.us/pdf/2009/fillin/wt/it2104_409_fill_in.pdf).

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## The Bottom Line

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The recent legislative changes to the New York State and City of Yonkers withholding tables and other withholding methods could significantly increase assignment costs for many international assignment programs with ties to the State of New York. These changes are effective from May 1, 2009 and employers should be prepared to account for the immediate payroll withholding requirements as

well as the need to anticipate for potential increases in assignment costs.

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