



Subject: My Paycheck Went Down –Why?

Employees quickly notice when their net payroll check decreases from previous checks. Here are some of the reasons an employee’s paycheck can go down:

- ✓ The IRS federal income tax withholding tables were changed January of 2010, to reflect the “Making Work Pay” tax credit spread over 12 months in 2010. Since this tax credit of \$400 per eligible employee was first reflected in tax tables in April of 2009 and spread over the last 9 months of 2009, the revised 2010 tax tables put less tax credit into each paycheck this year, resulting in more federal income tax withholding in each 2010 paycheck. These revised 2010 federal income tax withholding tables is the most common reason why January, 2010 paychecks may have decreased from December of 2009;
- ✓ If an employee reduces their 401(k) or 403(b) retirement plan contributions, their tax withholdings will increase. If an employee contributes to an after-tax Roth 401(k) or 403(b) and had before funded the plan on a pre-tax basis, tax withholdings will increase and net pay will decrease;
- ✓ Reduced payroll deductions for Section 125 plan benefits, such as flexible spending accounts (FSA’s), will increase BOTH income taxes and social security/medicare taxes;
- ✓ If you revised your W-4 forms January of 2010 to report less exemption allowances this year, or to reflect a dependent child turning 17 during 2010, your income tax withholding will increase;
- ✓ If you earned above \$106,800 during 2009, your payroll checks will again withhold 6.2% social security tax until you exceed the same \$106,800 earnings level in 2010 – at which point you will have fully funded the social security system until the next year; and
- ✓ If you are a “non-resident alien” – essentially non-us citizens who are temporary workers in the USA - new tax tables were installed January of 2010 which increased federal income tax withholdings on these non-us citizens. **If you employ “non-resident aliens”, call AccuPay to make sure we are withholding taxes based on their special tax tables.**

Not sure if your income tax withholdings are “in sync” with your income, deductions and tax credits for 2010? The IRS “W-4 calculator” is excellent at helping employees calculate their correct W-4 exemption allowances, and therefore avoid owing substantial taxes with their annual tax returns. You can access the W-4 calculator by clicking on “Forms & Downloads” at www.accupay.com.

If an employee wishes to change their W-4 allowances, please submit a new W-4 to AccuPay, or call us at 885-7600.

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