

## Withholding Calculation Rules - Effective July 1, 2003

The following steps will determine the amount of Connecticut income tax to be withheld from an employee's wages:

- | <u>STEP</u>   | <u>ACTION</u>  |
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| <ol style="list-style-type: none"> <li>1. Determine the employee's wage per pay period.</li> <li>2. Determine the number of pay periods in a year (for example, 52, 26, 24, 12).</li> <li>3. Determine annualized salary (Multiply Step 1 by Step 2).</li> <li>4. Determine employee's withholding code (A, B, C, D, or F from Line 1 of <b>Form CT-W4</b>).</li> <li>5. Using annualized salary (Step 3) and withholding code (Step 4), determine exemption amount from <b>TABLE A - EXEMPTIONS</b> (see DRS Web site).<br/><b>Note:</b> The personal exemption is reduced in increments of \$1,000. For example, an employee with withholding code "A" and an annualized salary of \$25,125 receives a \$10,000 exemption.</li> <li>6. Determine annualized taxable income (Subtract Step 5 from Step 3).<br/><b>Note:</b> If annualized taxable income (Step 6) is equal to or less than zero, the initial withholding amount should equal zero. Proceed to Step 11.</li> <li>7. Determine initial withholding amount from table below:</li> </ol> | <ol style="list-style-type: none"> <li>8. Using annualized salary (Step 3) and withholding code (Step 4), determine decimal amount from <b>TABLE B - PERSONAL TAX CREDITS</b> (see DRS Web site).</li> <li>9. Multiply initial withholding amount (Step 7) by 1.00 minus the decimal amount (for example, 1.00 - .14 = .86).</li> <li>10. Determine withholding amount per pay period (Divide Step 9 by Step 2).</li> <li>11. Determine additional withholding amount per pay period (Line 2 from <b>Form CT-W4</b>).</li> <li>12. Determine reduced withholding amount per pay period (Line 3 from <b>Form CT-W4</b>).</li> <li>13. Determine total withholding amount per pay period (Add Step 10 and Step 11) or (Subtract Step 12 from Step 10).<br/><b>Note:</b> For withholding rules for supplemental compensation (such as bonuses, commissions, overtime pay, sales awards, etc.), refer to <b>IP 2000(11), Employer's Tax Guide - Connecticut Circular CT, Supplemental Compensation</b> on Page 12. For withholding rules on one-time or miscellaneous payments refer to <i>Withholding for Daily/Miscellaneous Amounts</i> on Page 11 and substitute 5.0% (.05) for the 4.5% (.045) tax rate.</li> </ol> |

WITHHOLDING CODE: A, D, or F	WITHHOLDING CODE: B	WITHHOLDING CODE: C
<p><b>If the amount from Step 6 is less than or equal to \$10,000:</b></p> <p style="padding-left: 20px;">Multiply the amount from Step 6 by .03.</p> <p><b>If the amount from Step 6 is more than \$10,000:</b></p> <p style="padding-left: 20px;">Multiply the excess over \$10,000 by .05 and add \$300.00.</p>	<p><b>If the amount from Step 6 is less than or equal to \$16,000:</b></p> <p style="padding-left: 20px;">Multiply the amount from Step 6 by .03.</p> <p><b>If the amount from Step 6 is more than \$16,000:</b></p> <p style="padding-left: 20px;">Multiply the excess over \$16,000 by .05 and add \$480.00.</p>	<p><b>If the amount from Step 6 is less than or equal to \$20,000:</b></p> <p style="padding-left: 20px;">Multiply the amount from Step 6 by .03.</p> <p><b>If the amount from Step 6 is more than \$20,000:</b></p> <p style="padding-left: 20px;">Multiply the excess over \$20,000 by .05 and add \$600.00.</p>
<p><b>For example:</b> If the amount from Step 6 is \$10,000 and the withholding code is "F", the initial withholding amount equals \$300.00 (\$10,000 x .03 = \$300.00).</p> <p>If the amount from Step 6 is \$15,710 and the withholding code is "F", the initial withholding amount equals \$585.50 (\$15,710 - \$10,000 = \$5,710. \$5,710 x .05 = \$285.50. \$285.50 + \$300.00 = \$585.50).</p>		