



Federal Income Tax (FIT) Calculation- 2016

Important Terms:

Gross Pay: The current period's paycheck which has not yet been taxed.

Withholding Allowance: Untaxed money (see Table 5) which is subtracted from *Gross Pay*.

FIT Taxable Earnings: $Gross Pay - Withholding Allowance =$ amount of money that will be taxed
(i.e. FIT Taxable Earnings)

Example:

The **M** represents a **married** person, whereas an **S** would represent **single**. Use in table 1 for step 3.

M-2, earns \$700 per week

The **2** represents the number of **withholding allowances**. Use in table 5 for step 1.

Gross Pay
Use in step 2

And the employee is paid **weekly**. Use in step 1

Step 1 Calculate Withholding Allowance: TABLE 5

Our employee is paid **weekly** and has **2** allowances.

\$ 77.90 → from table 5 for an employee paid weekly
x 2 → two withholding allowances
\$155.80 Withholding Allowance

Payroll Period	One Withholding Allowance
Weekly	\$77.90
Biweekly	155.80
Semi-monthly	168.80
Monthly	337.50
Quarterly	1,012.50
Semi-annually	2,025.00
Annually	4,050.00
Daily or Misc. (each day of the payroll period)	15.60

Step 2 Calculate FIT Taxable Earnings:

Gross pay	\$ 700.00
- W/A	- 155.80
FIT Taxable	\$ 544.20

Step 3 Calculate Federal Income Tax: TABLE 1

Our employee is **married** and their **FIT Taxable earnings** are **\$544.20**

We will use Table 1 (below) to calculate our FIT. Note that we use our taxable earnings of **\$544.20**, not gross pay to locate the tax in the table. \$544.20 is (see underlined text in table): **Over- \$521 But not over- \$1,613...so our FIT is \$35.70 plus 15% of the excess over \$521**

\$544.20 - \$521 → FIT Taxable Earnings - of excess over from table 1
x 15% → Corresponding percent from table 1
\$3.48
+ \$35.70 → Corresponding amount from table 1
\$39.18 FIT calculated!

You can do this on your calculator in one step:
35.70 + 15% (544.20 - 521) = \$39.18 That's it!

(For Wages Paid in 2016)

TABLE 1—WEEKLY Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$43 \$0		Not over \$164 \$0		Not over \$164 \$0		Not over \$164 \$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$43	—\$222 . . .	\$0.00 plus 10%	—\$43	\$164	—\$521 . . .	\$0.00 plus 10%	—\$164
\$222	—\$767 . . .	\$17.90 plus 15%	—\$222	<u>\$521</u>	—\$1,613 . . .	<u>\$35.70 plus 15%</u>	—\$521
\$767	—\$1,796 . . .	\$99.65 plus 25%	—\$767	\$1,613	—\$3,086 . . .	\$199.50 plus 25%	—\$1,613
\$1,796	—\$3,700 . . .	\$356.90 plus 28%	—\$1,796	\$3,086	—\$4,615 . . .	\$567.75 plus 28%	—\$3,086
\$3,700	—\$7,992 . . .	\$890.02 plus 33%	—\$3,700	\$4,615	—\$8,113 . . .	\$995.87 plus 33%	—\$4,615
\$7,992	—\$8,025 . . .	\$2,306.38 plus 35%	—\$7,992	\$8,113	—\$9,144 . . .	\$2,150.21 plus 35%	—\$8,113
\$8,025	\$2,317.93 plus 39.6%	—\$8,025	\$9,144	\$2,511.06 plus 39.6%	—\$9,144