



2016 Payroll Fact Sheet

Are Biweekly Payroll Income Taxes Calculated Differently?

Federal and state income tax-withholding calculation requirements apply to all relevant employees in the United States. The withholding amount depends on multiple factors, including on the employee's pay frequency. A biweekly payroll occurs every other week, on the same day. If you have a biweekly payroll, income taxes are withheld according to that frequency.

Calculation Criteria

Federal income tax withholding depends on the number of allowances and filing status an employee claims on her W-4 and the Internal Revenue Service Circular E tax-withholding table that matches the W-4 and the employee's wages and pay period. To calculate a biweekly payroll, use the respective biweekly tax table instead of the weekly, semi-monthly or monthly tables. Many states use a withholding system that is similar to federal income tax for state income tax withholding purposes; if your state does this, apply the relevant state biweekly tax table. A few states, such as Arizona and Pennsylvania, require withholding at a flat percentage. If so, multiply the employee's taxable wages for the pay period by the required percentage to arrive at the withholding. Taxable wages are an employee's earnings after deducting pretax benefits, such as Section 125 health insurance and 401(k) contributions, from gross pay.

Allowance Value

Each allowance an employee claims on the W-4 gives a sum that reduces her taxable wages. The IRS gives a specific amount based on the employee's pay period. For example, in 2012, one allowance for a biweekly payroll equaled \$146.15. This is the equivalent of \$73.08 for a weekly payroll, \$158.33 for a semi-monthly payroll, and \$316.67 for a monthly payroll. Assume an employee's taxable wages equal \$750 biweekly and that she claims two allowances on the W-4. Multiply \$146.15 times two allowances, which equals \$292.30. Subtract \$292.30 from \$750 to arrive at \$457.70, which represents her wages subject to taxation. You may use the IRS percentage method to figure the withholding. Apply the Circular E percentage method tax table that matches the employee's biweekly pay period, filing status and wages after allowances.

Considerations

You typically do not have to figure allowance values or use the percentage method when calculating federal income tax. In most cases, you may use the Circular E's wage-bracket tax table that matches the employee's wages, allowances, pay period and filing status. This method gives the exact withholding amount. If an employee earns more than the wage bracket method's income limit, apply the percentage method. If the state gives allowances for state income tax withholding purposes, apply the required calculation to figure the withholding.

Pay Frequency Difference

A biweekly-paid employee might appear to pay more income taxes than if she were paid weekly. That's only because a biweekly payroll happens less frequently than a weekly payroll. In the end, it balances out. For example, an employee claims married filing status and three allowances on the W-4 and earns \$900 biweekly. According to Page 44 of the 2012 Circular E, her withholding would be \$16. As an employee paid weekly who earns half of \$900, which is \$450, her withholding would be \$8, according to Page 40 of the 2012 Circular E.