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Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 04-30, Massachusetts State Income Tax Withholding

Date: October 4, 2004

To: Holders of TAXES (State of Massachusetts only)
Personnel User Groups
T&A Contact Points in Massachusetts

Beginning with wages paid for Pay Period 20, the National Finance Center (NFC) will change the Massachusetts state income tax withholdings. The title of Step 5 on the Massachusetts state tax formula will change from Determine net social security (Federal Insurance Contribution Act (FICA) and/or Medicare) deductions to Determine the employee's current retirement deduction amount. The calculation for Step 5 will also change.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to the NFC Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630**. Please refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at customer.support@usda.gov.

RANDOLPH H. GONZALES, Acting Director
Government Employees Services Division

Massachusetts State Income Tax Information

State Abbreviation:	MA
State Tax Withholding State Code:	25
Acceptable Exemption Form:	M-4
Basis For Withholding:	State Exemptions
Acceptable Exemption Data:	0, A, B, C / Number of Exemptions
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances field as follows: First Position - Refer to the blocks under Item 5 on the M-4. Enter 0 (zero) if no blocks have been checked. Enter A if Block A has been checked (head of household). Enter B if Block B <i>or</i> C has been checked (employee or spouse is blind). Enter C if Block B <i>and</i> C has been checked (employee and spouse are blind). Second and Third Positions - Enter the total number of exemptions claimed on Line 4 of the M-4. If less than 10, precede with a zero. Note: If Block D has been checked, enter ONL. No tax will be withheld due to limited earnings.
Additional Information:	None

Withholding Formula ►(Effective Pay Period 20, 2004)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment from the amount computed in Step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in Step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual wages.

Note: Do not withhold tax on employees who claim one or more exemptions while making less than \$8,000 annually.

5. ►Determine the employee's current retirement deduction amount:
 - a. Multiply the year-to-date state taxable wages (not including current wages) by the employee's Federal Insurance Contribution Act (FICA) rate (e.g., 7.65 percent for social security, 1.45 percent for Medicare-only) to obtain the previous year-to-date FICA contribution.
 - b. Add the previous year-to-date FICA contribution computed in Step 5a to the employee's year-to-date contribution to all other retirement systems to obtain the previous year-to-date retirement contribution.

Note: If this amount is greater than \$2,000, the current retirement deduction amount is zero. Omit Steps 5c through 5e and proceed to Step 6.

- c. Multiply the current state taxable wages by the employee's FICA rate (e.g., 7.65 percent for social security, 1.45 percent for Medicare-only) to obtain the current FICA contribution.
- d. Add the current FICA contribution computed in Step 5c to the employee's current contribution to all other retirement systems to obtain the current retirement contribution.
- e. Add the previous year-to-date retirement contribution computed in Step 5b to the current retirement contribution computed in Step 5d to obtain the new year-to-date retirement contribution.

Note: If this amount is greater than \$2,000, the current retirement deduction amount is \$2,000 minus the previous year-to-date retirement contribution (e.g., \$2,000 minus the amount computed in Step 5b).

Or

If this amount is less than or equal to \$2,000, the current retirement deduction amount is equal to the current retirement contribution computed in Step 5d. ◀

6. Subtract the current retirement deduction amount computed in Step 5, if applicable, from the current adjusted gross biweekly wages computed in Step 3 to obtain the current adjusted gross biweekly wages.

Note: If the employee's current retirement deduction amount computed in Step 5 is zero, the current adjusted gross biweekly wages is the amount computed in Step 3.

7. Multiply the current adjusted gross biweekly wages by 26 to obtain the current adjusted gross annual wages.
8. Subtract the following amounts, as applicable, from the current adjusted gross annual wages computed in Step 7:
 - a. If the employee claims **one exemption only**, deduct \$3,300.

Or

- b. If the employee claims **more than one exemption**, deduct \$1,000 times the number of exemptions plus \$2,300.

9. Multiply the result of Step 8 by 5.30 percent to obtain the annual Massachusetts tax withholding.
10. Subtract the following tax credits, as applicable, from the annual Massachusetts tax withholding computed in Step 9:
 - a. If the employee claims head of household, deduct \$95.40.
 - b. If the employee and/or spouse is blind, deduct \$116.60 for each blind exemption.
11. Divide the annual Massachusetts tax withholding by 26 to obtain the biweekly Massachusetts tax withholding.