

Withholding Tax  
Rate Changes For Supplemental Wages

The New York State, City of New York and City of Yonkers Regulations have been amended to increase the rates at which state and city income taxes may be withheld on supplemental wage payments under the optional method of withholding on such wages. Employers may use the optional method instead of adding the supplemental wages to the regular wages for the current payroll period or to the last preceding payroll period within the same calendar year. The previous rates were rendered obsolete by the Tax Reform and Reduction Act of 1987 and the New York City Tax Reduction Act of 1987. The new rates, explained below, apply to supplemental wage payments made after December 31, 1988.

Section 160.4(b)(1) of the New York State Personal Income Tax Regulations and Section 291.1(b) of the New York City Personal Income Tax on Residents Regulations have been amended to change the withholding rates on supplemental wages from the fixed rates of 5 percent and 1.8 percent, respectively, to rates equal to the highest effective rates of tax on taxable income for the applicable tax year. Section 251.1(b) of the city of Yonkers Income Tax surcharge on Residents Regulations has also been amended to change the rate from the fixed rate of 0.75 percent to a percentage obtained by multiplying the City of Yonkers income tax surcharge rate by the highest effective rate of New York State personal income tax for the applicable tax year. The amount of tax to be withheld under this optional method is determined without any allowance for personal exemptions or deductions. The City of New York and City of Yonkers nonresident earnings tax rates for supplemental wages remain at 0.45 percent and 0.50 percent, respectively.

Supplemental wages are payments made in the form of bonuses, commissions, overtime pay, sales awards or tips. Also, vacation pay is treated as a supplemental wage payment if it is paid in addition to regular wages for the vacation period. The supplemental withholding rate may be used by an employer provided state or city income tax has already been withheld on an employee's regular wages.

The rates effective for the 1989 calendar year follow:

New York State	7.875%	(.07875)
City of New York	3.4%	(.034)
City of Yonkers	1.181%	(.01181)

The above rate changes are not reflected in the current IT-2100 (7/88), Withholding Tax Tables, Methods and Instructions, effective October 1, 1988 through September 30, 1989. However, these new supplemental rates were explained in a Notice to Employers, N-88-48, a copy of which is included.

New York State  
Department of Taxation and Finance

**-Notice to Employers-  
Supplemental Withholding Rate Changes**

**New York State Regulations** have been amended to increase the rate used for calculating withholding on supplemental wage payments (bonuses, commissions, overtime pay, sales awards, etc.) made after December 31, 1988. The New York State rate has been increased from the current 5% (.05) to the top tax rate for the year. For the calendar year 1989, the **New York State** supplemental withholding rate is **7.875% (.07875)**.

**The City of New York** resident supplemental tax rate has been increased from the current 1.8% (.018) to the top tax rate for the year. For the calendar year 1989, the **City of New York** resident tax supplemental withholding rate is **3.4% (.034)**.

**The City of Yonkers** resident tax surcharge supplemental rate has been increased from the current .75% (.0075) to the top tax rate for the year. For the calendar year 1989, the **City of Yonkers** resident tax surcharge supplemental withholding rate is **1.181% (.01181)**.

You may use the supplemental withholding rates instead of adding the payments to the regular wages for the current payroll period or to the last preceding payroll period within the same calendar year.

Specific changes to IT-2100, *Withholding Tax Tables, Methods and Instructions*, are listed below.

If you have any questions, call toll free (from New York State only) 1 800 CALL TAX (1 800 225-5829). From areas outside New York State, call (518) 438-8581.

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**Changes to IT-2100, *Withholding Tax Tables, Methods and Instructions***

Please make the following changes to IT-2100, *Withholding Tax Tables, Methods and Instructions* (effective October 1, 1988, through September 30, 1989):

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Add the following sentence to the end of the first paragraph of section 12, Supplemental Wage Payments:

*Effective for any payments made after December 31, 1988, the New York State supplemental rate increases from 5% (.05) to the top tax rate for the year. For the 1989 calendar year, this rate is 7.875% (.07875).*

Add the following sentence to the end of the second paragraph of section 12, Supplemental Wage Payments:

*Effective for any payments made after December 31, 1988, the City of New York resident tax supplemental rate increases from 1.8% (.018) to the top tax rate for the year. For the 1989 calendar year, this rate is 3.4% (.034).*

Add the following sentence to the end of the fourth paragraph of section 12, Supplemental Wage Payments:

*Effective for any payments made after December 31, 1988, the City of Yonkers resident tax surcharge supplemental rate increases from 75% (.0075) to the top tax rate for the year. For the 1989 calendar year, this rate is 1.181% (.01181).*

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On line 4 of Table II C--Semimonthly Payroll New York State Single Method II, the third column amount should read \$11.83, not \$11.38.

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On line 5 of Table II D-Monthly Payroll City of Yonkers Single Method II, the third column amount should read \$34.17, not \$34.71.