

# State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

January 29, 2004

MEMORANDUM NO. PR2004-001

TO: All Agencies Served by the State Controller's Office  
Payroll section

FROM: Roger Farmer  
Payroll Administrator

SUBJECT: Tax Tables for 2004

Please find enclosed the following forms and tables:

Social Security Waiver	Federal Withholding Allowance Table
Federal Tax Tables	NC Tax Tables
Advance EIC Tables	Form W-5 with instructions
2004 Monthly Tax Table Calculation Sheet	

## **FEDERAL TAX**

The Federal Tax Tables have not changed this year.

## **FEDERAL WITHHOLDING ALLOWANCES**

The withholding allowances are the same as last year.

ANNUAL	\$3,100.00
MONTHLY	258.33
SEMIMONTHLY	129.17

SUPPLEMENTAL DEFAULT PERCENTAGE – 25%

MAILING ADDRESS  
1410 Mail Service Center  
Raleigh, NC 27699-1410

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LOCATION  
3512 Bush Street  
Raleigh, NC

## **NORTH CAROLINA TAX**

New NC Tax Tables for 2004.

### **NC TAX WITHHOLDING ALLOWANCE**

THESE ALLOWANCES ARE SHOWN WITHIN EACH TABLE.

SUPPLEMENTAL DEFAULT PERCENTAGE - 6%

### **TAX CALCULATION**

**REMINDER** – THE NC TAX AMOUNTS ARE ROUNDED TO THE NEAREST WHOLE DOLLAR AMOUNT. THIS CHANGE APPLIES ONLY FOR NC TAX.

## **ADVANCE EARNED INCOME CREDIT TABLES**

New tables for 2004

### **EIC CODING**

	<b><u>USE EIC CODE</u></b>
SINGLE OR HEAD OF HOUSEHOLD	3
MARRIED WITHOUT SPOUSE FILING CERTIFICATE	2
MARRIED WITH BOTH SPOUSES FILING CERTIFICATE	1

## **SOCIAL SECURITY INFORMATION**

### **WAGES SUBJECT CEILING**

<b><u>CATEGORY</u></b>	<b><u>FROM</u></b>	<b><u>TO</u></b>	<b><u>APPLICABLE PERCENTAGE</u></b>
OASDI	\$87,000	\$87,900	6.20
HI	NO CEILING	NO CEILING	1.45
MQFE	NO CEILING	NO CEILING	1.45

### **OTHER ITEMS**

### **NEW DEDUCTION**

A new deduction code, "529", has been set up for the National College Savings Plan. Although employee plan contributions may earn interest on a tax free basis, the employee deduction itself is taken on an after tax basis. Central Payroll will receive a file from the National College Savings Plan each month for the employee deduction amount. This process will work similar to other plans, which provide a file to Central Payroll.

1. The plan administrator may send an adjustment for deductions directly to your agency.
2. In order to stop or change their deduction, it will be necessary that employees contact the National College Savings Plan Administrator directly.

Memorandum PR2004-001

January 29, 2004

**NEW REPORT**

A new deduction report based on BUDGET has been added to X/PTR. This report can be viewed in X/PTR under the heading listed below:

RPT OSCPX DED EMP HEALTH BEN-BUDGET

**EXEMPT TAX STATUS EXPIRATION-MONTHLY PAYROLLS**

As per the Internal Revenue Service publication 15, (Circular "E"), a new W-4 form will be required from those employees who wish to claim total exemption from withholding after February 15, 2004. The above rules also apply for the NC-4 form.

Please find a listing of employees with exemptions that expire after February 15, 2004. We have automatically changed the tax status of these employees from exempt to nonexempt. A new form will be required to claim the EXEMPT STATUS on the monthly payroll. Since this change was made after the payroll transmittal was produced, this is not reflected on the payroll transmittal.

\_\_\_\_\_  
DATE

MEMORANDUM

TO: Office of the State Controller-  
Payroll section

FROM: \_\_\_\_\_/  
Agency Name/Number

SUBJECT: Over Collection of Social Security and Medicare  
Taxes Due to wage adjustment(s).

The purpose of this memorandum is to certify that I have not claimed and will not claim a refund or a credit for the amounts of the Social Security and Medicare Tax over collections caused by the wage adjustments on my W-2c. Listed below are the adjustment amounts.

EMPLOYEE NAME \_\_\_\_\_

EMPLOYEE SOCIAL SECURITY NUMBER \_\_\_\_\_

REFUND YEAR \_\_\_\_\_

	WAGES SUBJECT	TAX AMOUNT
Social Security (OASDI) (NOTE - WAGES SUBJECT X 6.2% = TAX AMOUNT)	\$_____.	\$_____.
Medicare Wages (HI) (NOTE - WAGES SUBJECT X 1.45% = TAX AMOUNT)	\$_____.	\$_____.
Total Tax Adjustment		\$_____.

\_\_\_\_\_  
(Employee Signature)

MAILING ADDRESS  
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Raleigh, NC

# 16. How To Use the Income Tax Withholding and Advance Earned Income Credit (EIC) Payment Tables

## Income Tax Withholding

There are several ways to figure income tax withholding. The following methods of withholding are based on the information that you get from your employees on **Form W-4**, Employee's Withholding Allowance Certificate. See section 9 for more information on Form W-4.

### Wage Bracket Method

Under the wage bracket method, find the proper table (on pages 37-56) for your payroll period and the employee's marital status as shown on his or her Form W-4. Then, based on the number of withholding allowances claimed on the Form W-4 and the amount of wages, find the amount of tax to withhold. If your employee is claiming more than 10 withholding allowances, see below.

**Note:** If you cannot use the wage bracket tables because wages exceed the amount shown in the last bracket of the table, use the percentage method of withholding described below. Be sure to reduce wages by the amount of total withholding allowances in Table 5 before using the percentage method tables (pages 35-36).

**Adjusting wage bracket withholding for employees claiming more than 10 withholding allowances.** The wage bracket tables can be used if an employee claims up to 10 allowances. More than 10 allowances may be claimed because of the special withholding allowance, additional allowances for deductions and credits, and the system itself.

To adapt the tables to more than 10 allowances:

- 1) Multiply the number of withholding allowances over 10 by the allowance value for the payroll period. (The allowance values are in Table 5, **Percentage Method—2004 Amount for One Withholding Allowance** later.)
- 2) Subtract the result from the employee's wages.
- 3) On this amount, find and withhold the tax in the column for 10 allowances.

This is a voluntary method. If you use the wage bracket tables, you may continue to withhold the amount in the "10" column when your employee has more than 10 allowances, using the method above. You can also use any other method described below.

### Percentage Method

If you do not want to use the wage bracket tables on pages 37 through 56 to figure how much income tax to withhold,

you can use a percentage computation based on Table 5 and the appropriate rate table. This method works for any number of withholding allowances the employee claims and any amount of wages.

Use these steps to figure the income tax to withhold under the percentage method:

- 1) Multiply one withholding allowance for your payroll period (see Table 5 below) by the number of allowances that the employee claims.
- 2) Subtract that amount from the employee's wages.
- 3) Determine the amount to withhold from the appropriate table on page 35 or 36.

**Table 5. Percentage Method—2004 Amount for One Withholding Allowance**

Payroll Period	One Withholding Allowance
Weekly . . . . .	\$59.62
Biweekly . . . . .	119.23
Semimonthly . . . . .	129.17
Monthly . . . . .	258.33
Quarterly . . . . .	775.00
Semiannually . . . . .	1,550.00
Annually . . . . .	3,100.00
Daily or miscellaneous (each day of the payroll period) . . . . .	11.92

**Example:** An unmarried employee is paid \$600 weekly. This employee has in effect a Form W-4 claiming two withholding allowances. Using the percentage method, figure the income tax to withhold as follows:

- |    |  |                 |
|----|--|-----------------|
| 1. | Total wage payment . . . . .   | \$600.00        |
| 2. | One allowance . . . . .  | \$59.62         |
| 3. | Allowances claimed on Form W-4 <u>2</u>                                      |                 |
| 4. | Multiply line 2 by line 3 . . . . .  | <u>\$119.24</u> |
| 5. | Amount subject to withholding (subtract line 4 from line 1) . . . . .        | \$480.76        |
| 6. | Tax to be withheld on \$480.76 from Table 1—single person, page 35 . . . . . | <u>\$ 57.66</u> |

To figure the income tax to withhold, you may reduce the last digit of the wages to zero, or figure the wages to the nearest dollar.

**Annual income tax withholding.** Figure the income tax to withhold on annual wages under the **Percentage Method** for an annual payroll period. Then prorate the tax back to the payroll period.

**Example:** A married person claims four withholding allowances. She is paid \$1,000 a week. Multiply the weekly wages by 52 weeks to figure the annual wage of \$52,000. Subtract \$12,400 (the value of four withholding allowances for 2004) for a balance of \$39,600. Using the table for the annual payroll period on page 36, \$4,025 is withheld. Divide the annual tax by 52. The weekly income tax to withhold is \$77.40.

### Alternative Methods of Income Tax Withholding

Rather than the **Wage Bracket Method** or **Percentage Method** described above, you can use an alternative

**Tables for Percentage Method of Withholding**  
(For Wages Paid Through December 2004)

**TABLE 1—WEEKLY Payroll Period**

<b>(a) SINGLE person</b> (including head of household)—				<b>(b) MARRIED person—</b>			
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 \$51 . . . . .		\$0		Not over \$154 . . . . .		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$51	—\$187 . . . . .	10%	—\$51	\$154	—\$429 . . . . .	10%	—\$154
\$187	—\$592 . . . . .	\$13.60 plus 15%	—\$187	\$429	—\$1,245 . . . . .	\$27.50 plus 15%	—\$429
\$592	—\$1,317 . . . . .	\$74.35 plus 25%	—\$592	\$1,245	—\$2,270 . . . . .	\$149.90 plus 25%	—\$1,245
\$1,317	—\$2,860 . . . . .	\$255.60 plus 28%	—\$1,317	\$2,270	—\$3,568 . . . . .	\$406.15 plus 28%	—\$2,270
\$2,860	—\$6,177 . . . . .	\$687.64 plus 33%	—\$2,860	\$3,568	—\$6,271 . . . . .	\$769.59 plus 33%	—\$3,568
\$6,177	. . . . .	\$1,782.25 plus 35%	—\$6,177	\$6,271	. . . . .	\$1,661.58 plus 35%	—\$6,271

**TABLE 2—BIWEEKLY Payroll Period**

<b>(a) SINGLE person</b> (including head of household)—				<b>(b) MARRIED person—</b>			
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 \$102 . . . . .		\$0		Not over \$308 . . . . .		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$102	—\$373 . . . . .	10%	—\$102	\$308	—\$858 . . . . .	10%	—\$308
\$373	—\$1,185 . . . . .	\$27.10 plus 15%	—\$373	\$858	—\$2,490 . . . . .	\$55.00 plus 15%	—\$858
\$1,185	—\$2,635 . . . . .	\$148.90 plus 25%	—\$1,185	\$2,490	—\$4,540 . . . . .	\$299.80 plus 25%	—\$2,490
\$2,635	—\$5,719 . . . . .	\$511.40 plus 28%	—\$2,635	\$4,540	—\$7,137 . . . . .	\$812.30 plus 28%	—\$4,540
\$5,719	—\$12,354 . . . . .	\$1,374.92 plus 33%	—\$5,719	\$7,137	—\$12,542 . . . . .	\$1,539.46 plus 33%	—\$7,137
\$12,354	. . . . .	\$3,564.47 plus 35%	—\$12,354	\$12,542	. . . . .	\$3,323.11 plus 35%	—\$12,542

**TABLE 3—SEMIMONTHLY Payroll Period**

<b>(a) SINGLE person</b> (including head of household)—				<b>(b) MARRIED person—</b>			
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 \$110 . . . . .		\$0		Not over \$333 . . . . .		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$110	—\$404 . . . . .	10%	—\$110	\$333	—\$929 . . . . .	10%	—\$333
\$404	—\$1,283 . . . . .	\$29.40 plus 15%	—\$404	\$929	—\$2,698 . . . . .	\$59.60 plus 15%	—\$929
\$1,283	—\$2,854 . . . . .	\$161.25 plus 25%	—\$1,283	\$2,698	—\$4,919 . . . . .	\$324.95 plus 25%	—\$2,698
\$2,854	—\$6,196 . . . . .	\$554.00 plus 28%	—\$2,854	\$4,919	—\$7,731 . . . . .	\$880.20 plus 28%	—\$4,919
\$6,196	—\$13,383 . . . . .	\$1,489.76 plus 33%	—\$6,196	\$7,731	—\$13,588 . . . . .	\$1,667.56 plus 33%	—\$7,731
\$13,383	. . . . .	\$3,861.47 plus 35%	—\$13,383	\$13,588	. . . . .	\$3,600.37 plus 35%	—\$13,588

**TABLE 4—MONTHLY Payroll Period**

<b>(a) SINGLE person</b> (including head of household)—				<b>(b) MARRIED person—</b>			
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 \$221 . . . . .		\$0		Not over \$667 . . . . .		\$0	
Over—	But not over—		of excess over—	Over—	But not over—		of excess over—
\$221	—\$808 . . . . .	10%	—\$221	\$667	—\$1,858 . . . . .	10%	—\$667
\$808	—\$2,567 . . . . .	\$58.70 plus 15%	—\$808	\$1,858	—\$5,396 . . . . .	\$119.10 plus 15%	—\$1,858
\$2,567	—\$5,708 . . . . .	\$322.55 plus 25%	—\$2,567	\$5,396	—\$9,838 . . . . .	\$649.80 plus 25%	—\$5,396
\$5,708	—\$12,392 . . . . .	\$1,107.80 plus 28%	—\$5,708	\$9,838	—\$15,463 . . . . .	\$1,760.30 plus 28%	—\$9,838
\$12,392	—\$26,767 . . . . .	\$2,979.32 plus 33%	—\$12,392	\$15,463	—\$27,175 . . . . .	\$3,335.30 plus 33%	—\$15,463
\$26,767	. . . . .	\$7,723.07 plus 35%	—\$26,767	\$27,175	. . . . .	\$7,200.26 plus 35%	—\$27,175

# Tables for Percentage Method of Withholding (Continued)

(For Wages Paid Through December 2004)

## TABLE 5—QUARTERLY 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 \$663 . . . . .		\$0		Not over \$2,000 . . . . .		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$663	—\$2,425 . . . . .	10%	—\$663	\$2,000	—\$5,575 . . . . .	10%	—\$2,000
\$2,425	—\$7,700 . . . . .	\$176.20 plus 15%	—\$2,425	\$5,575	—\$16,188 . . . . .	\$357.50 plus 15%	—\$5,575
\$7,700	—\$17,125 . . . . .	\$967.45 plus 25%	—\$7,700	\$16,188	—\$29,513 . . . . .	\$1,949.45 plus 25%	—\$16,188
\$17,125	—\$37,175 . . . . .	\$3,323.70 plus 28%	—\$17,125	\$29,513	—\$46,388 . . . . .	\$5,280.70 plus 28%	—\$29,513
\$37,175	—\$80,300 . . . . .	\$8,937.70 plus 33%	—\$37,175	\$46,388	—\$81,525 . . . . .	\$10,005.70 plus 33%	—\$46,388
\$80,300	. . . . .	\$23,168.95 plus 35%	—\$80,300	\$81,525	. . . . .	\$21,600.91 plus 35%	—\$81,525

## TABLE 6—SEMIANNUAL 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 \$1,325 . . . . .		\$0		Not over \$4,000 . . . . .		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$1,325	—\$4,850 . . . . .	10%	—\$1,325	\$4,000	—\$11,150 . . . . .	10%	—\$4,000
\$4,850	—\$15,400 . . . . .	\$352.50 plus 15%	—\$4,850	\$11,150	—\$32,375 . . . . .	\$715.00 plus 15%	—\$11,150
\$15,400	—\$34,250 . . . . .	\$1,935.00 plus 25%	—\$15,400	\$32,375	—\$59,025 . . . . .	\$3,898.75 plus 25%	—\$32,375
\$34,250	—\$74,350 . . . . .	\$6,647.50 plus 28%	—\$34,250	\$59,025	—\$92,775 . . . . .	\$10,561.25 plus 28%	—\$59,025
\$74,350	—\$160,600 . . . . .	\$17,875.50 plus 33%	—\$74,350	\$92,775	—\$163,050 . . . . .	\$20,011.25 plus 33%	—\$92,775
\$160,600	. . . . .	\$46,338.00 plus 35%	—\$160,600	\$163,050	. . . . .	\$43,202.00 plus 35%	—\$163,050

## TABLE 7—ANNUAL 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 \$2,650 . . . . .		\$0		Not over \$8,000 . . . . .		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$2,650	—\$9,700 . . . . .	10%	—\$2,650	\$8,000	—\$22,300 . . . . .	10%	—\$8,000
\$9,700	—\$30,800 . . . . .	\$705.00 plus 15%	—\$9,700	\$22,300	—\$64,750 . . . . .	\$1,430.00 plus 15%	—\$22,300
\$30,800	—\$68,500 . . . . .	\$3,870.00 plus 25%	—\$30,800	\$64,750	—\$118,050 . . . . .	\$7,797.50 plus 25%	—\$64,750
\$68,500	—\$148,700 . . . . .	\$13,295.00 plus 28%	—\$68,500	\$118,050	—\$185,550 . . . . .	\$21,122.50 plus 28%	—\$118,050
\$148,700	—\$321,200 . . . . .	\$35,751.00 plus 33%	—\$148,700	\$185,550	—\$326,100 . . . . .	\$40,022.50 plus 33%	—\$185,550
\$321,200	. . . . .	\$92,676.00 plus 35%	—\$321,200	\$326,100	. . . . .	\$86,404.00 plus 35%	—\$326,100

## TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE person (including head of household)—				(b) MARRIED person—			
If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:		If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:	
Not over \$10.20 . . . . .		\$0		Not over \$30.80 . . . . .		\$0	
Over—	But not over—	of excess over—		Over—	But not over—	of excess over—	
\$10.20	—\$37.30 . . . . .	10%	—\$10.20	\$30.80	—\$85.80 . . . . .	10%	—\$30.80
\$37.30	—\$118.50 . . . . .	\$2.71 plus 15%	—\$37.30	\$85.80	—\$249.00 . . . . .	\$5.50 plus 15%	—\$85.80
\$118.50	—\$263.50 . . . . .	\$14.89 plus 25%	—\$118.50	\$249.00	—\$454.00 . . . . .	\$29.98 plus 25%	—\$249.00
\$263.50	—\$571.90 . . . . .	\$51.14 plus 28%	—\$263.50	\$454.00	—\$713.70 . . . . .	\$81.23 plus 28%	—\$454.00
\$571.90	—\$1,235.40 . . . . .	\$137.49 plus 33%	—\$571.90	\$713.70	—\$1,254.20 . . . . .	\$153.95 plus 33%	—\$713.70
\$1,235.40	. . . . .	\$356.45 plus 35%	—\$1,235.40	\$1,254.20	. . . . .	\$332.32 plus 35%	—\$1,254.20

# Tables for Percentage Method of Advance EIC Payments

(For Wages Paid in 2004)

## Table 1. WEEKLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD			(b) MARRIED Without Spouse Filing Certificate			(c) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$147	20.40% of wages	\$0	\$147	20.40% of wages	\$0	\$73	20.40% of wages
\$147	\$270	\$30	\$147	\$289	\$30	\$73	\$144	\$15
\$270		\$30 less 9.588% of wages in excess of \$270	\$289		\$30 less 9.588% of wages in excess of \$289	\$144		\$15 less 9.588% of wages in excess of \$144

## Table 2. BIWEEKLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD			(b) MARRIED Without Spouse Filing Certificate			(c) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$294	20.40% of wages	\$0	\$294	20.40% of wages	\$0	\$147	20.40% of wages
\$294	\$540	\$60	\$294	\$578	\$60	\$147	\$289	\$30
\$540		\$60 less 9.588% of wages in excess of \$540	\$578		\$60 less 9.588% of wages in excess of \$578	\$289		\$30 less 9.588% of wages in excess of \$289

## Table 3. SEMIMONTHLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD			(b) MARRIED Without Spouse Filing Certificate			(c) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$319	20.40% of wages	\$0	\$319	20.40% of wages	\$0	\$159	20.40% of wages
\$319	\$585	\$65	\$319	\$626	\$65	\$159	\$313	\$32
\$585		\$65 less 9.588% of wages in excess of \$585	\$626		\$65 less 9.588% of wages in excess of \$626	\$313		\$32 less 9.588% of wages in excess of \$313

## Table 4. MONTHLY Payroll Period

(a) SINGLE or HEAD OF HOUSEHOLD			(b) MARRIED Without Spouse Filing Certificate			(c) MARRIED With Both Spouses Filing Certificate		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$638	20.40% of wages	\$0	\$638	20.40% of wages	\$0	\$319	20.40% of wages
\$638	\$1,170	\$130	\$638	\$1,253	\$130	\$319	\$626	\$65
\$1,170		\$130 less 9.588% of wages in excess of \$1,170	\$1,253		\$130 less 9.588% of wages in excess of \$1,253	\$626		\$65 less 9.588% of wages in excess of \$626

**Tables for Percentage Method of Advance EIC Payments (Continued)**  
(For Wages Paid in 2004)

**Table 5. QUARTERLY Payroll Period**

<b>(a) SINGLE or HEAD OF HOUSEHOLD</b>			<b>(b) MARRIED Without Spouse Filing Certificate</b>			<b>(c) MARRIED With Both Spouses Filing Certificate</b>		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$1,915	20.40% of wages	\$0	\$1,915	20.40% of wages	\$0	\$957	20.40% of wages
\$1,915	\$3,510	\$391	\$1,915	\$3,760	\$391	\$957	\$1,880	\$195
\$3,510		\$391 less 9.588% of wages in excess of \$3,510	\$3,760		\$391 less 9.588% of wages in excess of \$3,760	\$1,880		\$195 less 9.588% of wages in excess of \$1,880

**Table 6. SEMIANNUAL Payroll Period**

<b>(a) SINGLE or HEAD OF HOUSEHOLD</b>			<b>(b) MARRIED Without Spouse Filing Certificate</b>			<b>(c) MARRIED With Both Spouses Filing Certificate</b>		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$3,830	20.40% of wages	\$0	\$3,830	20.40% of wages	\$0	\$1,915	20.40% of wages
\$3,830	\$7,020	\$781	\$3,830	\$7,520	\$781	\$1,915	\$3,760	\$391
\$7,020		\$781 less 9.588% of wages in excess of \$7,020	\$7,520		\$781 less 9.588% of wages in excess of \$7,520	\$3,760		\$391 less 9.588% of wages in excess of \$3,760

**Table 7. ANNUAL Payroll Period**

<b>(a) SINGLE or HEAD OF HOUSEHOLD</b>			<b>(b) MARRIED Without Spouse Filing Certificate</b>			<b>(c) MARRIED With Both Spouses Filing Certificate</b>		
If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:	If the amount of wages (before deducting withholding allowances) is:		The amount of payment to be made is:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$7,660	20.40% of wages	\$0	\$7,660	20.40% of wages	\$0	\$3,830	20.40% of wages
\$7,660	\$14,040	\$1,563	\$7,660	\$15,040	\$1,563	\$3,830	\$7,520	\$781
\$14,040		\$1,563 less 9.588% of wages in excess of \$14,040	\$15,040		\$1,563 less 9.588% of wages in excess of \$15,040	\$7,520		\$781 less 9.588% of wages in excess of \$7,520

**Table 8. DAILY or MISCELLANEOUS Payroll Period**

<b>(a) SINGLE or HEAD OF HOUSEHOLD</b>			<b>(b) MARRIED Without Spouse Filing Certificate</b>			<b>(c) MARRIED With Both Spouses Filing Certificate</b>		
If the wages divided by the number of days in such period (before deducting withholding allowances) are:		The amount of payment to be made is the following amount multiplied by the number of days in such period:	If the wages divided by the number of days in such period (before deducting withholding allowances) are:		The amount of payment to be made is the following amount multiplied by the number of days in such period:	If the wages divided by the number of days in such period (before deducting withholding allowances) are:		The amount of payment to be made is the following amount multiplied by the number of days in such period:
Over—	But not over—		Over—	But not over—		Over—	But not over—	
\$0	\$29	20.40% of wages	\$0	\$29	20.40% of wages	\$0	\$14	20.40% of wages
\$29	\$54	\$6	\$29	\$57	\$6	\$14	\$28	\$3
\$54		\$6 less 9.588% of wages in excess of \$54	\$57		\$6 less 9.588% of wages in excess of \$57	\$28		\$3 less 9.588% of wages in excess of \$28

# 2004 Form W-5



Department of the Treasury  
Internal Revenue Service

## Instructions

### Purpose of Form

Use Form W-5 if you are eligible to get part of the EIC in advance with your pay and choose to do so. See **Who Is Eligible To Get Advance EIC Payments?** below. The amount you can get in advance generally depends on your wages. If you are married, the amount of your advance EIC payments also depends on whether your spouse has filed a Form W-5 with his or her employer. However, your employer cannot give you more than \$1,563 throughout 2004 with your pay. You will get the rest of any EIC you are entitled to when you file your tax return and claim the EIC.

If you do not choose to get advance payments, you can still claim the EIC on your 2004 tax return.

### What Is the EIC?

The EIC is a credit for certain workers. It reduces the tax you owe. It may give you a refund even if you do not owe any tax.

### Who Is Eligible To Get Advance EIC Payments?

You are eligible to get advance EIC payments if **all three** of the following apply.

1. You expect to have at least one qualifying child. If you do not expect to have a qualifying child, you may still be eligible for the EIC, but you **cannot** receive advance EIC payments. See **Who Is a Qualifying Child?** below.

2. You expect that your 2004 earned income and AGI will each be less than \$30,338 (\$31,338 if you expect to file a joint return for 2004). Include your spouse's income if you plan to file a joint return. As used on this form, **earned income** does not include amounts inmates in

penal institutions are paid for their work, amounts received as a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or nontaxable earned income.

3. You expect to be able to claim the EIC for 2004. To find out if you may be able to claim the EIC, answer the questions on page 2.

### How To Get Advance EIC Payments

If you are eligible to get advance EIC payments, fill in the 2004 Form W-5 at the bottom of this page. Then, detach it and give it to your employer. If you get advance payments, you **must** file a 2004 Federal income tax return.

You may have only **one** Form W-5 in effect at one time. If you and your spouse are both employed, you should file separate Forms W-5.

This Form W-5 expires on December 31, 2004. If you are eligible to get advance EIC payments for 2005, you must file a new Form W-5 next year.

**TIP** You may be able to get a larger credit when you file your 2004 return. For details, see **Additional Credit** on page 3.

### Who Is a Qualifying Child?

Any child who meets **all three** of the following conditions is a **qualifying child**.

- The child is:
  - Your son, daughter, adopted child, stepchild, or a descendant of any of them (for example, your grandchild); or
  - Your brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew), whom you cared for as you would your own child; or
  - A foster child (any child placed with you by an authorized placement agency whom you cared for as you would your own child).

*(continued on page 3)*

Give the bottom part to your employer; keep the top part for your records.

Detach here

Form **W-5**

## Earned Income Credit Advance Payment Certificate

OMB No. 1545-1342

Department of the Treasury  
Internal Revenue Service

- ▶ Use the current year's certificate only.
- ▶ Give this certificate to your employer.
- ▶ This certificate expires on December 31, 2004.

**2004**

Print or type your full name

Your social security number

**Note:** If you get advance payments of the earned income credit for 2004, you **must** file a 2004 Federal income tax return. To get advance payments, you **must** have a qualifying child and your filing status must be any status **except** married filing a separate return.

- I expect to have a qualifying child and be able to claim the earned income credit for 2004, I do not have another Form W-5 in effect with any other current employer, and I choose to get advance EIC payments.  Yes  No
- Check the box that shows your expected filing status for 2004:
  - Single, head of household, or qualifying widow(er)
  - Married filing jointly
- If you are married, does your spouse have a Form W-5 in effect for 2004 with any employer?  Yes  No

Under penalties of perjury, I declare that the information I have furnished above is, to the best of my knowledge, true, correct, and complete.


Signature ▶

Date ▶

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**Questions To See if You May Be Able To Claim the EIC for 2004**


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 You **cannot** claim the EIC if you plan to file either **Form 2555** or **Form 2555-EZ** (relating to foreign earned income) for 2004. You also **cannot** claim the EIC if you are a nonresident alien for any part of 2004 unless you are married to a U.S. citizen or resident, file a joint return, and elect to be taxed as a resident alien for all of 2004.


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**1** Do you expect to have a qualifying child? Read **Who Is a Qualifying Child?** that starts on page 1 before you answer this question. If the child is married, be sure you also read **Married child** on page 3.

- No.**  You may be able to claim the EIC but you **cannot** get advance EIC payments.
- Yes.** *Continue.*


 If the child meets the conditions to be a qualifying child for both you and another person, see **Qualifying child of more than one person** on page 3.

**2** Do you expect your 2004 filing status to be married filing a separate return?


- Yes.**  You **cannot** claim the EIC.
- No.** *Continue.*

 If you expect to file a joint return for 2004, include your spouse's income when answering questions 3 and 4.

**3** Do you expect that your 2004 earned income and AGI will each be less than: \$30,338 (\$31,338 if married filing jointly) if you expect to have 1 qualifying child; \$34,458 (\$35,458 if married filing jointly) if you expect to have 2 or more qualifying children?

- No.**  You **cannot** claim the EIC.
- Yes.** *Continue.* But remember, you **cannot** get advance EIC payments if you expect your 2004 earned income or AGI will be \$30,338 (\$31,338 or more if married filing jointly) or more.

**4** Do you expect that your 2004 investment income will be more than \$2,650? For most people, investment income is the total of their taxable interest, ordinary dividends, capital gain distributions, and tax-exempt interest. However, if you plan to file a 2004 Form 1040, see the 2003 Form 1040 instructions to figure your investment income.

- Yes.**  You **cannot** claim the EIC.
- No.** *Continue.*

**5** Do you expect that you, or your spouse if filing a joint return, will be a qualifying child of another person for 2004?

- No.** You may be able to claim the EIC.
- Yes.** You **cannot** claim the EIC.
-

**Note:** An **adopted child** is always treated as your own child. An adopted child includes a child placed with you by an authorized placement agency for legal adoption even if the adoption is not final. An authorized placement agency includes any person or court authorized by state law to place children for legal adoption.

2. At the end of 2004, the child is under age 19, or under age 24 and a full-time student, or any age and permanently and totally disabled.

3. The child lives with you in the United States for over half of 2004.

**Exception to "Time Lived With You" Condition.** The child does not have to live with you for over half of 2004 if either of the following applies.

1. The child was born or died during the year and your home was this child's home for the entire time he or she was alive in 2004.

2. The child is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member and the child lived with you for over half of the part of the year before he or she was kidnapped.

**Note:** *Temporary absences, such as for school, vacation, medical care, or detention in a juvenile facility, count as time lived at home. Members of the military on extended active duty outside the United States are considered to be living in the United States.*

**Married child.** A child who is married at the end of 2004 is a qualifying child only if you may claim him or her as your dependent, or the following **Exception** applies to you.

**Exception.** You are the custodial parent and would be able to claim the child as your dependent, but the noncustodial parent claims the child as a dependent because—

1. You signed **Form 8332**, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child for 2004 or

2. You have a pre-1985 divorce decree or separation agreement that allows the noncustodial parent to claim the child and he or she gives at least \$600 for the child's support in 2004.

Other rules may apply. See **Pub. 501**, Exemptions, Standard Deduction, and Filing Information, for more information on children of divorced or separated parents.

**Qualifying child of more than one person.** If the child meets the conditions to be a qualifying child of more than one person, only one person may treat that child as a qualifying child for 2004. If you and the other person(s) cannot agree on who will treat that child as a qualifying child for 2004, special rules apply to determine who may do so. For details, see the 2003 revision of **Pub. 596**, Earned Income Credit (EIC). However, these rules do not apply if the only other person is your spouse and you plan to file a joint return for 2004.

**Reminder.** A qualifying child must have a social security number unless he or she was born and died in 2004.

### What if My Situation Changes?

If your situation changes after you give Form W-5 to your employer, you will probably need to file a new Form W-5. For example, you must file a new Form W-5 if any of the following applies for 2004.

- You no longer expect to have a qualifying child. Check "**No**" on line 1 of your new Form W-5.

- You no longer expect to be able to claim the EIC for 2004. Check "**No**" on line 1 of your new Form W-5.
- You no longer want advance payments. Check "**No**" on line 1 of your new Form W-5.
- Your spouse files Form W-5 with his or her employer. Check "**Yes**" on line 3 of your new Form W-5.

**Note:** *If you get the EIC with your pay and find you are not eligible, you must pay it back when you file your 2004 Federal income tax return.*

## Additional Information

### How To Claim the EIC

If you are eligible, claim the EIC on your 2004 tax return. See your 2004 tax return instruction booklet.

### Additional Credit

You may be able to claim a larger credit when you file your 2004 Form 1040 or Form 1040A because your employer cannot give you more than \$1,563 throughout the year with your pay. You may also be able to claim a larger credit if you have more than one qualifying child. But you must file your 2004 tax return to claim any additional credit.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Internal Revenue Code sections 3507 and 6109 and their regulations require you to provide the information requested on Form W-5 and to give it to your employer if you want advance payment of the EIC. As provided by law, we may give the information to the Department of Justice and other Federal agencies. In addition, we may give it to cities, states, and the District of Columbia so they may carry out their tax laws. We may also disclose this information to other countries under a tax treaty or to Federal and state agencies to enforce Federal nontax criminal laws and to combat terrorism. Failure to provide the requested information may prevent your employer from processing this form; providing false information may subject you to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 6 min.; **Learning about the law or the form**, 12 min.; and **Preparing the form**, 25 min.

**We welcome comments on forms.** If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Products Coordinating Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send Form W-5 to this address. Instead, give it to your employer.



**FEDERAL PERCENTAGE METHOD**

FEDERAL: Deduct: Retirement, Health Insurance and any \*Deferred Items.  
(Amount for each allowance claimed \$258.33)

**MONTHLY Payroll Period**

**SINGLE** person (including head of household)-

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over	\$221	...	\$0				
Over	-	But not over-		of excess over-			
\$221	-	\$808	..	10%	-	\$221	
\$808	-	\$2,567	..	\$58.70 plus 15%	-	\$808	
\$2,567	-	\$5,708	..	\$322.55 plus 25%	-	\$2,567	
\$5,708	-	\$12,392	..	\$1,107.80 plus 28%	-	\$5,708	
\$12,392	-	\$26,767	..	\$2,979.32 plus 33%	-	\$12,392	
\$26,767	.....			\$7,723.07 plus 35%	-	\$26,767	

**MARRIED** person-

If the amount of wages (after subtracting withholding allowances) is: The amount of income tax to withhold is:

Not over	\$667	...	\$0				
Over	-	But not over-		of excess over-			
\$667	-	\$1,858	..	10%	-	\$667	
\$1,858	-	\$5,396	..	\$119.10 plus 15%	-	\$1,858	
\$5,396	-	\$9,838	..	\$649.80 plus 25%	-	\$5,396	
\$9,838	-	\$15,463	..	\$1,760.30 plus 28%	-	\$9,838	
\$15,463	-	\$27,175	..	\$3,335.30 plus 33%	-	\$15,463	
\$27,175	.....			\$7,200.26 plus 35%	-	\$27,175	

**STATE PERCENTAGE METHOD**

STATE: Deduct: Retirement, Health Insurance and any \*Deferred Items.

(Round off the final result of calculations to the nearest whole dollar.)

**MONTHLY Payroll Period**

**SINGLE PERSON**

If monthly income is less than \$5,000.00, use \$208.33 for each allowance claimed. If \$5,000.00 or more, use \$166.67.

If the wage in excess of allowance amount is: The income tax to be withheld shall be:

Over	But not over	wage	Product
-0-	\$250.00	...	-0-
\$250.00	\$1,312.50	...	6% less \$15.00
\$1,312.50	\$5,250.00	...	7% less \$28.13
\$5,250.00	\$10,250.00	...	7.75% less \$67.51
\$10,250.00	.....		8.25% less \$118.76

**HEAD OF HOUSEHOLD**

If monthly income is less than \$6,666.67, use \$208.33 for each allowance claimed. If \$6,666.67 or more, use \$166.67.

If the wage in excess of allowance amount is: The income tax to be withheld shall be:

Over	But not over	wage	Product
-0-	\$366.67	...	-0-
\$366.67	\$1,783.33	...	6% less \$22.00
\$1,783.33	\$7,033.33	...	7% less \$39.83
\$7,033.33	\$13,700.00	...	7.75% less \$92.58
\$13,700.00	.....		8.25% less \$161.08

**MARRIED OR QUALIFYING WIDOW(ER)**

If monthly income is less than \$4,166.67, use \$208.33 for each allowance claimed. If \$4,166.67 or more, use \$166.67.

If the wage in excess of allowance amount is: The income tax to be withheld shall be:

Over	But not over	wage	Product
-0-	\$250.00	...	-0-
\$250.00	\$1,135.42	...	6% less \$15.00
\$1,135.42	\$4,416.67	...	7% less \$26.35
\$4,416.67	\$8,583.33	...	7.75% less \$59.48
\$8,583.33	.....		8.25% less \$102.40

**SOCIAL SECURITY**

SOCIAL SECURITY: Deduct: Health Insurance, 094, 098, 445, 446, 447, 448, 449, 450 and 451 deduction codes.

<b>OASDI</b>	\$87,900.00	6.20%
<b>HI</b>	No Ceiling	1.45%
<b>MQFE</b>	No Ceiling	1.45%

**RETIREMENT**

6% OF THE GROSS AMOUNT

**EARNED INCOME CREDIT**

EIC: Deduct: Retirement, Health Insurance and any \*Deferred Items.

**MONTHLY Payroll Period**

**EIC = 3**

**SINGLE or HEAD OF HOUSEHOLD**

If the amount of wages (before deducting withholding allowances) is: The amount of payment to be made is:

Over-	But not over-	
\$0	\$638	.. 20.40% of wages
\$638	\$1,170	.. \$130
\$1,170	.....	\$130 less 9.588% of wages in excess of \$1,170

**EIC = 2**

**MARRIED Without Spouse Filing Certificate**

If the amount of wages (before deducting withholding allowances) is: The amount of payment to be made is:

Over-	But not over-	
\$0	\$638	.. 20.40% of wages
\$638	\$1,253	.. \$130
\$1,253	.....	\$130 less 9.588% of wages in excess of \$1,253

**EIC = 1**

**MARRIED With Both Spouses Filing Certificate**

If the amount of wages (before deducting withholding allowances) is: The amount of payment to be made is:

Over-	But not over-	
\$0	\$319	.. 20.40% of wages
\$319	\$626	.. \$65
\$626	.....	\$65 less 9.588% of wages in excess of \$626

\*DEFERRED ITEMS: 001, 002, 003, 004, 094, 098, 200, 225, 249, 400 - 404, 445, 446, 447, 448, 449, 450 and 451.

\*\*Codes 400 - 404 are Health Insurance Deduction Codes.