Payroll Changes for Calendar Year 2011

This notice is to inform you of multiple changes that will have an impact on your take home pay in Calendar Year 2011. It is important to note that there will be two pay dates within January (01/7/2011 & 01/21/2011) and some of the changes will take effect in the second pay period due to the payment cycle.

Changes to expect in the pay check dated January 7, 2011

Employee Social Security Tax (FICA) Reduced to 4.2%

Employees were scheduled to pay a 6.2% Social Security tax on all wages earned up to $106,800. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provides a payroll/self-employment tax holiday during 2011 of two percentage points. Therefore, employees will pay only a 4.2% Social Security tax on wages up to $106,800.

This will decrease the amount of Social Security taxes withheld. The FICA-OASDI line on your pay stub will reflect this change.

New Federal Withholding Table

A notable change in the 2011 table is the expiration of the Making Work Pay Credit. The Making Work Pay Credit of the American Recovery and Reinvestment Act provided a refundable tax credit of up to $400 for working individuals and up to $800 for married taxpayers filing joint returns in 2009 and 2010. This credit reduced the amount of federal income tax withheld for eligible tax payers.

For most State workers, the expiration of the credit will increase federal taxes withheld by approximately $8 to $15 dollars per week depending on filing status. The FED W/HOLD TAX line on your pay stub will reflect this change.

Revision of Rhode Island Personal Income Tax Rates

Rhode Island withholding rates, brackets and withholding allowances have been revised. This revision will expand the income tax brackets, lower the top marginal income tax rate from 9.9% to 5.99 % and eliminate the use of itemized deductions.

The effect of the revised personal income tax rates on your pay will depend upon your filing status and income level. An informational document that includes the revised tables and provides answers to frequently asked questions is available at www.tax.ri.gov.

The STATE W/HOLD TAX line on your pay stub will reflect this change.
Employees are encouraged to review their current Federal and State withholding exemptions. There are worksheets on the IRS (Federal) Form W-4 and the RI (State) Form W-4 to assist with this review. If you wish to make a change, the completed W-4 form should be submitted to your agency payroll office.

The W-4 forms are available at [http://controller.admin.ri.gov/Forms/index.php](http://controller.admin.ri.gov/Forms/index.php).

**Changes to expect in the pay check dated January 21, 2011**

*General Salary Increase*

For those employees that are subject to a salary increase, the general salary increase is effective on January 2, 2011. This date is the first day of the biweekly period that will be paid on 01/21/2011. Therefore, the total hours worked and associated rate of pay for this pay period will be subject to the 3% increase.

This will *increase* your gross pay. The **REGULAR EARNINGS** line on your pay stub will reflect this change.

*Pay Reduction Day*

This pay period will have the first of four pay reduction days scheduled for Fiscal Year 2011. Each pay reduction day is the equivalent of ten percent of the biweekly salary rate excluding overtime. Please refer to the pay reduction policy located on the Human Resources website at [http://www.hr.ri.gov/policies/](http://www.hr.ri.gov/policies/) for additional information.

The **ADJUSTMENT** line on your pay stub will reflect the pay reduction amount.
State of Rhode Island and Providence Plantations
Employee’s Withholding Allowance Certificate

If you have more than one job or your spouse works, you should figure the total number of allowances you are entitled to claim. Your withholding usually will be more accurate if you claim all of your allowances on the Form RI W-4 for the highest-paying job and claim zero on all of your other RI W-4 forms. You may reduce the number of allowances or request that your employer withhold an additional amount from your pay, which may help avoid having too little tax withheld.

Line 1: Figure your personal allowances (including allowances for dependents)
A. No one else can claim me as a dependent. If yes, enter "1" on line 1A. 1A
B. I can claim my spouse as a dependent. If yes, enter "1" on line 1B. 1B
C. Enter the number of dependents (other than you or your spouse) you will claim on your tax return. 1C
D. Enter any additional allowances (review carefully to avoid underwithholding) 1D
E. Add lines A, B, C and D and enter here. However, if line E is more than 10, enter 10. This is the total number of personal allowances to which you are entitled. Enter on line 1 below. 1E

Line 2: Additional withholding amounts
If you want additional withholding taken out of your pay, enter that dollar amount which is to be withheld each pay period on line 2 below.

Line 3: Exempt Taxpayer

Exempt Status #1
If you meet both of the conditions below, you may claim exemption from Rhode Island withholding for 2011:
a) Last year I had a right to a refund of all Rhode Island income tax withheld because I had no tax liability AND
b) This year I expect a refund of all Rhode Island income tax because I expect to have no tax liability.
If you meet both of the above conditions, write “EXEMPT” on line 3 below.

Exempt Status #2
If you are the spouse of a servicemember stationed in Rhode Island, your wages may be exempt under the Military Spouses Residency Relief Act. If you meet both of the conditions below, you may claim exemption from Rhode Island withholding for 2011.
a) You moved to Rhode Island solely to be with your servicemember spouse in compliance with military orders sending the servicemember to Rhode Island AND
b) You have the same non-Rhode Island domicile as your servicemember spouse.
If you meet both of the above conditions, write “EXEMPT-MS” on line 3 below.

NOTE:
If you claim “EXEMPT” or “EXEMPT-MS” on line 3, you must complete Form RI W-4 each year. Otherwise, Form RI W-4 only needs to be completed if you are making changes to your withholding allowance.

RI W-4 State of Rhode Island and Providence Plantations Employee’s Withholding Allowance Certificate 2011

PLEASE PRINT

Name - First, Middle Initial, Last

Present Home Address (Number and street, including apartment number or rural route)

City, Town or Post Office State Zip Code

Your Social Security Number

1. Enter the number of allowances from line 1E above .... 1.

2. Enter any additional dollar amount which you would like withheld from your pay $ 2

3. If you meet the conditions above, write "EXEMPT" or "EXEMPT-MS" whichever applies 3.

Employee:
File this form with your employer to adjust your Rhode Island withholding. You should make a copy for your own records. 

Employer:
Keep this certificate with your payroll records. The form must be available to the Division of Taxation upon request.

Under penalties of perjury, I declare that I have examined this certificate, and to the best of my knowledge and belief, it is true, correct and complete.

Employee □ Signature □ Date