* Our district stopped doing separate pays for these types of supplementals so we don't have this issue.  - [janiceallen@trotwood.k12.oh.us](mailto:janiceallen@trotwood.k12.oh.us)
* We allow employees to adjust their w-4's at any time - [bill.parkinson@weschools.org](mailto:bill.parkinson@weschools.org)
* We stopped paying anything in a separate pay, as the IRS requires 25% withholding on those payments - [eanderson@greeneccc.com](mailto:eanderson@greeneccc.com)
* I don't believe that this can be limited.  However, if someone finds where it can be, I am all ears. <https://www.irs.gov/taxtopics/tc753.html> - [rcook@bucyrusschools.org](mailto:rcook@bucyrusschools.org)
* This may be a system issue than an IRS tax withholding issue. I've seen payroll systems that have a separate withholding flag for supplemental/bonus pay situations and they offer several different withholding options.  The idea is to get the correct tax withheld through the entire year without going through the W-9 route - [jcarpenter@lakeschools.org](mailto:jcarpenter@lakeschools.org)
* We have the same annoying problem here. Can you please share the responses you get with us? We called the IRS and they told us it's the employees responsibility if they do this and mess up their taxes. Then we heard from our ITC that we are not allowed to let them falsify or change these so we have mixed messages - [lance.erlwein@omeresa.net](mailto:lance.erlwein@omeresa.net)
* I was always told that employees were allowed to change their W4 withholdings as much as they wanted.  They would have to complete the forms though and if they didn’t complete one for after the special pay it would stay that way until they did.  It was common for me to have one for when they received a bonus check and then one to change it back for the next payroll - [melissa\_griffith@olsd.us](mailto:melissa_griffith@olsd.us)
* **7. Supplemental Wages**

Supplemental wages are wage payments to an employee that aren't regular wages. They include, but aren't limited to, bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay increases, and payments for nondeductible moving expenses. Other payments subject to the supplemental wage rules include taxable fringe benefits and expense allowances paid under a non-accountable plan. How you withhold on supplemental wages depends on whether the supplemental payment is identified as a separate payment from regular wages. See Regulations section 31.3402(g)-1 for additional guidance for wages paid after January 1, 2007. Also see Revenue Ruling 2008-29, 2008-24 I.R.B. 1149, available at [IRS.gov/irb/2008-24\_IRB/ar08.html](https://irs.gov/irb/2008-24_IRB/ar08.html). **Withholding on supplemental wages when an employee receives more than $1 million of supplemental wages from you during the calendar year.**   Special rules apply to the extent supplemental wages paid to any one employee during the calendar year exceed $1 million. If a supplemental wage payment, together with other supplemental wage payments made to the employee during the calendar year, exceeds $1 million, the excess is subject to withholding at 39.6% (or the highest rate of income tax for the year). Withhold using the 39.6% rate without regard to the employee's Form W-4. In determining supplemental wages paid to the employee during the year, include payments from all businesses under common control. For more information, see Treasury Decision 9276, 2006-37 I.R.B. 423, available at  [IRS.gov/irb/2006-37\_IRB/ar09.html](https://irs.gov/irb/2006-37_IRB/ar09.html" \t "_blank). **Withholding on supplemental wage payments to an employee who doesn't receive $1 million of supplemental wages during the calendar year.**   If the supplemental wages paid to the employee during the calendar year are less than or equal to $1 million, the following rules apply in determining the amount of income tax to be withheld. **Supplemental wages combined with regular wages.**   If you pay supplemental wages with regular wages but don't specify the amount of each, withhold federal income tax as if the total were a single payment for a regular payroll period. **Supplemental wages identified separately from regular wages.**   If you pay supplemental wages separately (or combine them in a single payment and specify the amount of each), the federal income tax withholding method depends partly on whether you withhold income tax from your employee's regular wages. 1.    If you withheld income tax from an employee's regular wages in the current or immediately preceding calendar year, you can use one of the following methods for the supplemental wages. 1.    Withhold a flat 25% (no other percentage allowed). 2.    If the supplemental wages are paid concurrently with regular wages, add the supplemental wages to the concurrently paid regular wages. If there are no concurrently paid regular wages, add the supplemental wages to, alternatively, either the regular wages paid or to be paid for the current payroll period or the regular wages paid for the preceding payroll period. Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment. Subtract the tax withheld from the regular wages. Withhold the remaining tax from the supplemental wages. If there were other payments of supplemental wages paid during the payroll period made before the current payment of supplemental wages, aggregate all the payments of supplemental wages paid during the payroll period with the regular wages paid during the payroll period, calculate the tax on the total, subtract the tax already withheld from the regular wages and the previous supplemental wage payments, and withhold the remaining tax. 2.    If you didn't withhold income tax from the employee's regular wages in the current or immediately preceding calendar year, use method 1-b. This would occur, for example, when the value of the employee's withholding allowances claimed on Form W-4 is more than the wages -  [ASchirm@alexanderschools.org](mailto:ASchirm@alexanderschools.org)

* The IRS has guidance on this in the Circular E, section 7, on supplementals - [lfisher@eastmschools.org](mailto:lfisher@eastmschools.org)
* I would look at the circular E.  I have heard John Darr of the IRS speak. Anything outside a regular payroll is considered at supplemental pay and is subject to the 26% tax.  I believe it is illegal for someone to change their W4 for a special pay and then change it back for the regular pay. It is an evasion of taxes.  I would speak to a tax advisor - [diane.mcafee@omeresa.net](mailto:diane.mcafee@omeresa.net)
* IRS Publication 15 (Circular E) Employer’s Tax Guide 2017 pages 18-20 [roxanne.mazur@carrolltonschools.org](mailto:roxanne.mazur@carrolltonschools.org)
* The IRS rule is to WH at the supplemental rate of 25%, which is for any bonus, extra pay, that is not part of the employees regular hours.  However, very few districts, including us, do this. I think we should to protect ourselves from IRS auditors and let the employee square up on their tax returns a the end of the year. So far I have not decided to do this, but would like to - [rob.ogg@crooksville.k12.oh.us](mailto:rob.ogg@crooksville.k12.oh.us)
* The IRS Circular E should have what you’re looking for.  [https://www.irs.gov/pub/irs-pdf/p15.pd](https://www.irs.gov/pub/irs-pdf/p15.pdf) - [HoltonAnne@elyriaschools.org](mailto:HoltonAnne@elyriaschools.org)
* We always refer our employees to Circular E of the IRS code.  It would be the section under supplemental pays.  I think section 7.  Most people understand they can't fight the IRS. - [melissa.baker@united.k12.oh.us](mailto:melissa.baker@united.k12.oh.us)
* The L-P School District Treasurer’s Office has in the past paid supplemental contracts in separate payroll checks. Unfortunately, this practice results in employee federal tax withholdings that are not in compliance with IRS guidelines. Employers have two choices when making supplemental payments: (1) withhold federal taxes at a flat 25% or (2) combine supplemental wages with regular wages for the calculation of federal taxes. The second choice resulted in *less* than 25% federal tax withholdings for all of the employees we tested; therefore, the Treasurer’s Office will combine supplemental wages with regular wages beginning this school year.

You will notice that more federal tax is withheld using this method as opposed to when you were issued separate checks. However, when you file your annual tax return, your total tax liability will be the same. You will either receive a larger refund, or you will owe less, depending on your specific circumstances. In other words, it all comes out the same in the end. This matter was presented and discussed at the September 25th Labor Management Relations Committee. If you would like further details, please call me [-lopr\_beddow@tccsa.net](mailto:-lopr_beddow@tccsa.net)

* Yes, follow this link to the circular e and go to page 18 and 19.  Page 19 is where you will find your answer. <https://www.irs.gov/pub/irs-pdf/p15.pdf> - [whol\_zeigler@tccsa.net](mailto:whol_zeigler@tccsa.net)
* I don't have anything in writing (b/c the IRS will not put anything in writing).  But I went through an IRS audit about 2 years ago and this was one of the things they looked at and we discussed in length.

* If you include it in w/ their regular pay you don't need to do anything.  However, if you pay it in a separate pay you need to withhold at the 25% rate for all supplemental or extra pay not included w/ their normal pay - [dbeeman@wadsworthschools.org](mailto:dbeeman@wadsworthschools.org)
* Check out PUB 15 or Circular E on the IRS website. I found it very helpful - [erwinj@npschools.org](mailto:erwinj@npschools.org)
* Section 7 is on Supplemental Wages - <https://www.irs.gov/publications/p15/ar02.html#en_US_2017_publink1000202352> - [tl\_jbunting@seovec.org](mailto:tl_jbunting@seovec.org)
* IRS Circular E –   We take 25% Federal and 3.5% State on all supplemental payments, period.  We tell them up front that is how we tax supplemental contracts that are not paid throughout the year as regular wages - [olaht@columbia.k12.oh.us](mailto:olaht@columbia.k12.oh.us)

\*\*Also attached are a letter from the IRS regarding Supplementals and a PowerPoint slide from an IRS training.