How is federal tax withholding calculated for part time adjunct faculty or student academics?

Departments should follow these steps to calculate the amount of federal tax withholding on compensation paid to a contract employee (i.e. those employees paid as part time adjunct faculty or student academics). Please note that withholding for each contract agreement is considered without regard to any other contracts agreements the individual may have at the time. That is, unless the individual’s multiple contract agreements contain the exact same number of days.

**Steps**

1. Determine the **monthly pay amount** and the number of days in the contract:
   a. Divide the contract amount by the number of payments the individual will receive, or
   b. Use the monthly payment amount, if known.
   c. Count the days between the contract start and end dates.

2. **Annualize** the monthly pay amount:
   a. Divide the number of days in the contract by 365
   b. Multiply by 12. This is the **number of periods** in the contract.
   c. Multiply the **monthly pay amount** by the **number of periods** in the contract.

3. Subtract the appropriate number of withholding allowance based on the most current submitted W-4 from the **annualized pay.** For tax year 2016, the **withholding allowance amount** can be found in Table 5 from IRS Publication 15. One **allowance** equals $4,050. The result is **taxable income.**

4. Find the **taxable income** amount on the appropriate section of the **tax rate table.** Follow the instructions on the table to calculate the **annual tax amount.** The **tax rate table** can be found in Table 7 from IRS Publication 15 (Dec., 2015).

**Example**

1. An individual is on a $20,000 contract paid in 5 monthly installments from 8/1/2016 to 12/7/2016. The **monthly pay amount** is $4,000. The number of days in the contract is 129 (31+30+31+30+7)

   2. **Annualized pay...**
      a. $129 ÷ 365 = 0.3534
      b. 0.3534 × 12 = 4.2411
      c. $4,000 × 4.2411 = $16,964.40

   3. The individual has completed form W-4 as a **single taxpayer** with **one allowance** and no additional withholding.

      $16,964.40 - $4,050.00 = $12,914.40
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5. Divide the annual tax amount by the number of periods in the contract, then add any additional withholding. The result is the amount of tax withholding per pay period.

5. \( \$1,130.91 \div 4.2411 = \$266.65 \)

### Additional Examples

#### Employee 1 (A typical academic semester contract)

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Contract Begin Date</th>
<th>Contract End Date</th>
<th>Amount per Pay Period</th>
<th>W-4 Marital Status</th>
<th>Withholding Allowance</th>
<th>Additional Withholding per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>01/01/2016</td>
<td>05/6/2016</td>
<td>$2,000</td>
<td>Married</td>
<td>1</td>
<td>$0</td>
</tr>
</tbody>
</table>

1. Determine the monthly pay and the number of days in the contract
   
   1. Monthly pay = $2,000
      Days in Contract = 127 (31+29+31+30+6)

2. Annualize the monthly pay amount:
   
   a. Divide the number of days in the contract by 365
   b. Multiply by 12. This is the number of periods in the contract.
   c. Multiply the monthly pay amount by the number of periods in the contract.

   2. 
      a. \( 127 \div 365 = 0.3479 \)
      b. \( 0.3479 \times 12 = 4.1753 \)
      c. \( 2,000 \times 4.1753 = \$8,350.60 \)

3. Subtract the appropriate number of withholding allowance based on the most current submitted W-4 from the annualized pay. For tax year 2014, the withholding allowance amount can be found in Table 5 from IRS Publication 15 (Dec., 2015). One allowance equals $4,000. The result is taxable income.

   3. \( \$8,350.60 - \$4,050.00 = \$4,300.60 \)

4. Find the taxable income amount on the appropriate section of the tax rate table. Follow the instructions on the table to calculate the annual tax amount. The tax rate table can be found in Table 7 from IRS Publication 15 (Dec., 2015).

   4. \$4,350.60 is less than $8,550.00 so no tax will be withheld. If the employee determines that she will owe tax when she completes her tax return, she may request additional withholding on Form W-4.
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Employee 2 (A typical adjunct 10 month contract)

<table>
<thead>
<tr>
<th>Compensation</th>
<th>Contract Begin Date</th>
<th>Contract End Date</th>
<th>Amount per Pay Period</th>
<th>W-4 Marital Status</th>
<th>Withholding Allowance</th>
<th>Additional Withholding per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>08/01/2015</td>
<td>05/31/2016</td>
<td>$2,000</td>
<td>Married</td>
<td>1</td>
<td>$100</td>
</tr>
</tbody>
</table>

1. Determine the monthly pay and the number of days in the contract

   Monthly pay = $2,000
   Days in Contract = 304
   \( (31+30+31+30+31+31+28+31+30+31) \)

2. Determine the annualized pay amount:
   a. Divide the number of days in the contract by 365.
   b. Multiply by 12. This is the number of periods in the contract.
   c. Multiply the monthly pay amount by the number of periods in the contract.

   a. \( 304 \div 365 = 0.8329 \)
   b. \( 0.8329 \times 12 = 9.9945 \)
   c. \( $2,000 \times 9.9945 = $19,989 \)

3. Subtract the appropriate number of withholding allowance based on the most current submitted W-4 from the annualized pay. For tax year 2016, the withholding allowance amount can be found in Table 1 from IRS Publication 15 (Dec., 2015). One allowance equals $4,050. The result is taxable income.

   $19,989 - $4,050 = $15,939

4. Find the taxable income amount on the appropriate section of the tax rate table. Follow the instructions on the table to calculate the annual tax amount. The tax rate table can be found in Table 7 from IRS Publication 15 (Dec., 2015).

   $15,989 is between $8,600 and $27,050 so the annual tax amount is...
   \( $15,939 - $8,550 = $7,389.00 \)
   \( $7,389 \times 10\% = $738.90 \)
   \( $=738.90 \)

5. Divide the annual tax amount by the number of periods in the contract, then add any additional withholding. The result is the amount of tax withholding per pay period.

   \( $738.90 \div 9.9945 = 73.93 \)
   \( 75.93 + $100.00 = $173.93 \)

Definitions

- **Annualize & annualized pay**: How much the payee would receive if the payment was for an entire year
- **Number of periods**: The number of months, and fractions of a month, in a contract
- **Monthly pay amount**: The amount a payee will receive each monthly paycheck during the contract period
- **Withholding allowance amount/allowance**: An amount equal to one personal exemption for the current tax year
- **Taxable income**: Total income, less total withholding allowances and before tax deductions (if any)
- **Tax rate table**: A table published annually by the IRS to assist with determining tax liabilities or withholding
- **Annual tax amount**: The total amount of tax that would be withheld if the payee received the payment for an entire year

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