North Dakota Office of State Tax Commissioner

2009 Income Tax Withholding

Cory Fong, Tax Commissioner

Rates & Instructions
For Wages Paid In 2009

Withholding Methods

Withholding Rates

Dear Employer,

The attached 2009 withholding rate schedules are being provided to help as you update employee withholding for 2009. The enclosed information is effective for **wages paid on or after January 1, 2009.**

You will notice three different methods are explained in this booklet. Of the three methods you might consider using the first method, *Percentage of Wages*. This method most closely resembles the Internal Revenue Service Percentage Method.

As noted on page 6, the second method, *Percent of Federal Withholding*, is calculated as a percent of federal withholding. We do not recommend that you use this method for certain employees because it is possible to create a situation of over-withholding.

Lastly, the third method utilizes Withholding Tables. These tables are more useful for those employers who only have a few employees and use a manual payroll operation. If you decide this option best suits your needs, you will find the tables on our web site at **www.nd.gov/tax**, or contact our office. Our address and telephone number are listed on page 6 of this booklet.

Providing you with exceptional service is important to the Office of State Tax Commissioner. Your feedback helps us identify ways to make filing and paying taxes in North Dakota as easy as possible. I encourage you to contact me with your suggestions.

Sincerely,

Cory Fong
Tax Commissioner

ndTax

Visit our web site for forms and information about North Dakota's taxes.

www.nd.gov/tax

Introduction

This booklet contains the instructions, rates, and formulas that employers need to determine how much North Dakota income tax to withhold from employees' wages for 2009. It is important for employers to note that only the minimum and maximum dollar amounts for each income bracket have changed from 2008. The tax rate for each income bracket has not changed. Two of the three withholding methods allowed are presented in this booklet.

Method One presented on page 3, is the Percentage of Wages Method and is similar to the IRS Percentage Method described in detail in ***IRS Publication 15, Circular E, Employer's Tax Guide*.** This method is fairly straightforward for computer programming purposes.

Method Two (Alternative Method), which continues the long-standing percent of federal withholding method, is presented on page 6. Use of this percentage-of-federal-withholding method for certain employees will result in a **significant amount of excess withholding**. Therefore, employers are strongly urged to use Method One or Three.

Method Three involves the use of Withholding Tables. The tables are available either from our web site at **www.nd.gov/tax** or by contacting our office. If you decide this option best suits your needs, you will find contact information on the last page of this booklet.

Supplemental Wages

Supplemental wages, as defined for federal income tax purposes, are treated as supplemental wages for North Dakota income tax purposes. This includes bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, and any other payment that is considered a supplemental wage for federal income tax withholding purposes. The method for calculating the amount of North Dakota income tax to withhold from supplemental wages is similar to the federal income tax withholding method. The amount of North Dakota income tax to withhold from supplemental wages depends on whether the supplemental wages are identified as a separate payment from regular wages.

If supplemental wages are combined and paid with regular wages, and the amounts of each are not separately identified, calculate the amount of North Dakota income tax to withhold from the combined amount using any of the regular methods allowed—i.e., Methods 1, 2, or 3.

If supplemental wages are paid separately from regular wages (or are combined and paid with regular wages but each are separately identified), calculate the amount of North Dakota income tax to withhold using the applicable method below:

A. Multiply the supplemental wages by 3.44% (.0344), or

B. Add the supplemental wages to the regular wages for the most recent payroll period. Then calculate a tentative withholding amount on this total amount using any of the regular methods allowed—i.e., Methods 1, 2, or 3. From this tentative withholding amount, subtract the amount of North Dakota income tax already withheld (from the regular wages). The result is the amount to withhold from the supplemental wages.

Withholding by Passthrough Entities

The information provided in this booklet does not apply to any passthrough entity that is required to withhold income tax from the year-end distributive shares of North Dakota income of its nonresident members. For the passthrough entity withholding requirements and procedures, see the instructions to:

- North Dakota Form 38, if a trust subject to North Dakota income tax.
- North Dakota Form 58, if a partnership or a limited liability company that files as a partnership.
- North Dakota Form 60, if a subchapter S corporation.

Please direct any questions relating to passthrough entity withholding to the Individual Income Tax Section (phone: 701.328.1247; e-mail: individualtax@nd.gov).

Method One: Percentage Of Wages Method

Every employer must obtain a federal **Form W-4, Employee's Withholding Allowance Certificate**, for each employee. Using the table below, employers can determine the total value of the withholding allowance(s) claimed on employees' Forms W-4. This amount is subtracted from the wages to arrive at the amount used to calculate the withholding:

Payroll Period	One Withholding Allowance*
Weekly	$ 70.19
Biweekly	140.38
Semimonthly	152.08
Monthly	304.17
Quarterly	912.50
Semiannually	1,825.00
Annually	3,650.00
Daily or Misc.	14.04

*** The withholding allowances listed are as of this printing. Please refer to IRS Publication 15, Circular E for 2009, for the most current amounts.**

Steps:

- Multiply one withholding allowance for the payroll period (from the table above) by the number of allowances the employee claims on Form W-4.
- Subtract that amount from the employee's wages.
- Determine the amount to withhold from the appropriate table on the following pages.

Example: A single employee is paid $600 weekly. This employee has a Form W-4 claiming two withholding allowances. The amount of withholding is:

1. Wage payment		$600.00	
2. One (weekly) allowance	$70.19		
3. Allowances claimed on W-4	2		
4. Multiply line 2 by line 3		$140.38	
5. Amount subject to withholding (Subtract line 4 from line 1)		$459.62	
6. Tax to withhold from Table 1, single person		$ 7.11	(optional - may round to $7.00)

The appropriate tables for all pay periods are on pages 4 and 5.
Rounding: Rounding to the nearest whole dollar is strongly recommended but not required.

Minimum Amount to Withhold: If the amount of North Dakota income tax to withhold for any pay period is less than $1.00, the employer is not required to withhold that amount.

Additional Withholding: There is no state form equivalent to federal Form W-4. If employees want additional state withholding, employers should accommodate the request whenever possible.

Tables For Percentage Method Of Withholding

For Wages Paid in: 2009

Table 1-Weekly Payroll Period

(a) 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	$73	$0				
Over-	But not over-					of excess over-
$73	$692			1.84%	-	$73
$692	$1,462	$11.39	plus	3.44%	-	$692
$1,462	$3,327	$37.88	plus	3.81%	-	$1,462
$3,327	$7,212	$108.93	plus	4.42%	-	$3,327
$7,212	- -	$280.65	plus	4.86%	-	$7,212

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$179	$0				
Over-	But not over-					of excess over-
$179	$1,231			1.84%	-	$179
$1,231	$2,346	$19.36	plus	3.44%	-	$1,231
$2,346	$4,173	$57.71	plus	3.81%	-	$2,346
$4,173	$7,308	$127.32	plus	4.42%	-	$4,173
$7,308	- -	$265.89	plus	4.86%	-	$7,308

Table 2-Biweekly Payroll Period

(a) 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	$146	$0				
Over-	But not over-					of excess over-
$146	$1,385			1.84%	-	$146
$1,385	$2,923	$22.80	plus	3.44%	-	$1,385
$2,923	$6,654	$75.70	plus	3.81%	-	$2,923
$6,654	$14,423	$217.86	plus	4.42%	-	$6,654
$14,423	- -	$561.25	plus	4.86%	-	$14,423

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$358	$0				
Over-	But not over-					of excess over-
$358	$2,462			1.84%	-	$358
$2,462	$4,692	$38.71	plus	3.44%	-	$2,462
$4,692	$8,346	$115.43	plus	3.81%	-	$4,692
$8,346	$14,615	$254.64	plus	4.42%	-	$8,346
$14,615	- -	$531.73	plus	4.86%	-	$14,615

Table 3-Semimonthly Payroll Period

(a) 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	$158	$0				
Over-	But not over-					of excess over-
$158	$1,500			1.84%	-	$158
$1,500	$3,167	$24.69	plus	3.44%	-	$1,500
$3,167	$7,208	$82.04	plus	3.81%	-	$3,167
$7,208	$15,625	$236.00	plus	4.42%	-	$7,208
$15,625	- -	$608.03	plus	4.86%	-	$15,625

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$388	$0				
Over-	But not over-					of excess over-
$388	$2,667			1.84%	-	$388
$2,667	$5,083	$41.93	plus	3.44%	-	$2,667
$5,083	$9,042	$125.04	plus	3.81%	-	$5,083
$9,042	$15,833	$275.88	plus	4.42%	-	$9,042
$15,833	- -	$576.04	plus	4.86%	-	$15,833

Table 4-Monthly Payroll Period

(a) 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	$317	$0				
Over-	But not over-					of excess over-
$317	$3,000			1.84%	-	$317
$3,000	$6,333	$49.37	plus	3.44%	-	$3,000
$6,333	$14,417	$164.02	plus	3.81%	-	$6,333
$14,417	$31,250	$472.02	plus	4.42%	-	$14,417
$31,250	- -	$1,216.04	plus	4.86%	-	$31,250

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$775	$0				
Over-	But not over-					of excess over-
$775	$5,333			1.84%	-	$775
$5,333	$10,167	$83.87	plus	3.44%	-	$5,333
$10,167	$18,083	$250.16	plus	3.81%	-	$10,167
$18,083	$31,667	$551.76	plus	4.42%	-	$18,083
$31,667	- -	$1,152.17	plus	4.86%	-	$31,667

Tables For Percentage Method Of Withholding

For Wages Paid in: 2009

Table 5-Quarterly Payroll Period

(a) 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	$950	$0				
Over-	But not over-					of excess over-
$950	$9,000			1.84%	-	$950
$9,000	$19,000	$148.12	plus	3.44%	-	$9,000
$19,000	$43,250	$492.12	plus	3.81%	-	$19,000
$43,250	$93,750	$1,416.05	plus	4.42%	-	$43,250
$93,750	- -	$3,648.15	plus	4.86%	-	$93,750

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$2,325	$0				
Over-	But not over-					of excess over-
$2,325	$16,000			1.84%	-	$2,325
$16,000	$30,500	$251.62	plus	3.44%	-	$16,000
$30,500	$54,250	$750.42	plus	3.81%	-	$30,500
$54,250	$95,000	$1,655.30	plus	4.42%	-	$54,250
$95,000	- -	$3,456.45	plus	4.86%	-	$95,000

Table 6-Semiannual Payroll Period

(a) 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	$1,900	$0				
Over-	But not over-					of excess over-
$1,900	$18,000			1.84%	-	$1,900
$18,000	$38,000	$296.24	plus	3.44%	-	$18,000
$38,000	$86,500	$984.24	plus	3.81%	-	$38,000
$86,500	$187,500	$2,832.09	plus	4.42%	-	$86,500
$187,500	- -	$7,296.29	plus	4.86%	-	$187,500

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$4,650	$0				
Over-	But not over-					of excess over-
$4,650	$32,000			1.84%	-	$4,650
$32,000	$61,000	$503.24	plus	3.44%	-	$32,000
$61,000	$108,500	$1,500.84	plus	3.81%	-	$61,000
$108,500	$190,000	$3,310.59	plus	4.42%	-	$108,500
$190,000	- -	$6.912.89	plus	4.86%	-	$190,000

Table 7-Annual Payroll Period

(a) 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	$3,800	$0				
Over-	But not over-					of excess over-
$3,800	$36,000			1.84%	-	$3,800
$36,000	$76,000	$592.48	plus	3.44%	-	$36,000
$76,000	$173,000	$1,968.48	plus	3.81%	-	$76,000
$173,000	$375,000	$5,664.18	plus	4.42%	-	$173,000
$375,000	- -	$14,592.58	plus	4.86%	-	$375,000

(b) MARRIED person-

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:				
Not over	$9,300	$0				
Over-	But not over-					of excess over-
$9,300	$64,000			1.84%	-	$9,300
$64,000	$122,000	$1,006.48	plus	3.44%	-	$64,000
$122,000	$217,000	$3,001.68	plus	3.81%	-	$122,000
$217,000	$380,000	$6,621.18	plus	4.42%	-	$217,000
$380,000	- -	$13,825.78	plus	4.86%	-	$380,000

Table 8-Daily or Miscellaneous Payroll Period

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

If the amount of wages (after subtracting witholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold is:				
Not over	$14.60	$0				
Over-	But not over-					of excess over-
$14.60	$138.50			1.84%	-	$14.60
$138.50	$292.30	$2.28	plus	3.44%	-	$138.50
$292.30	$665.40	$7.57	plus	3.81%	-	$292.30
$665.40	$1,442.30	$21.79	plus	4.42%	-	$665.40
$1,442.30	- -	$56.13	plus	4.86%	-	$1,442.30

(a) MARRIED person-

If the amount of wages (after subtracting witholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold is:				
Not over	$35.80	$0				
Over-	But not over-					of excess over-
$35.80	$246.20			1.84%	-	$35.80
$246.20	$469.20	$3.87	plus	3.44%	-	$246.20
$469.20	$834.60	$11.54	plus	3.81%	-	$469.20
$834.60	$1,461.50	$25.46	plus	4.42%	-	$834.60
$1,461.50	- -	$53.17	plus	4.86%	-	$1,461.50

Method Two: Percentage Of Federal Withholding

This method should be used only for employees whose total annual wages are expected to be less than $18,000 for a single person, or $30,000 for a married person. If an employer has no knowledge of an employee's expected total annual wages (as may be the case with employees holding multiple part-time jobs), the employer is encouraged to withhold using the Percentage of Wages Method presented previously. If state income tax is withheld at the rate detailed below for persons with higher income than that recommended for this method, the employee will have a significant amount of excess withholding. This will result in reduced take-home pay and a high state refund when the employee files his or her state income tax return.

Under this Alternative Method, the amount of North Dakota income tax to withhold from wages paid to an employee is determined by multiplying the amount of federal income tax withheld by .21 (21%). We recommend you round this tax calculation to the nearest whole dollar. The 21 percent rate applies regardless of the payroll period, marital status, or number of withholding allowances claimed by the employee.

Example: If an employer withholds $100 of federal income tax from an employee's wages, the amount of North Dakota withholding is computed as follows:

Federal Income Tax Withheld	$ 100.00
North Dakota Alternative Method withholding rate	X .21
Amount of North Dakota income tax to withhold	$ 21.00

NOTE: This withholding rate is higher than the rate in effect prior to 2001 because of tax reductions at the federal level. The state income tax on wages has not been increased.

Method Three: Withholding Tables

To use this method, an employer looks up the withholding amount from a series of tables taking into consideration the wage, the pay period, and the number of withholding allowances claimed on the employee's Form W-4. These tables may be useful for employers with non-computerized operations and few employees.

Withholding Tables are available in an easy printable format from our web site at **www.nd.gov/tax** or, you may contact the Office of State Tax Commissioner. See contact information below.

Contact Information

Office of State Tax Commissioner
600 E. Boulevard Ave. Dept. 127
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