

AMERICAN PAYROLL ASSOCIATION Compliance Update

IRS Releases 2010 Federal Percentage Method Income Tax Withholding Tables

Advance copies of the 2010 federal percentage method withholding tables have been released by the IRS. The tables are effective for wages paid in 2010. The withholding allowance amounts by payroll period have not changed for 2010 because the value of the personal exemption for 2010 remains at \$3,650.

The IRS has also issued the percentage method tables for determining advance earned income credit (EIC) amounts. These tables are based on gross wages and do not require the deduction for withholding allowances. Advance EIC payments apply only to employees eligible for advance payments of the credit who have a current Form W-5 on file with their employer.

Two extra tables are included in this year's Notice on account of the Making Work Pay tax credit:

- One is extra optional withholding on pension payments - to offset withholding reductions included in the withholding tables for the credit. Pension payments are not earned income and do not qualify for the credit.
- The other is part of the new withholding procedure for nonresident aliens. This procedure requires use of a new chart and new tables - to offset withholding reductions included in the withholding tables for the credit for which nonresident alien employees are not eligible.

To download the income tax withholding and AEIC tables [Notice 1036], as well as a table of withholding allowances for each payroll period prepared by the APA [Allowance Table], go to www.americanpayroll.org/members/Forms-Pubs/#annual.

Changing payroll laws, rules, rates, and filing and reporting procedures. Where do you go when you have payroll questions? To your compliance lifeline: [The Payroll Source®](#).

Order yours by January 31 and save up to \$45!