

Federal Tax Withholding Changes

Understanding your Mid-month Pay

Do you receive a mid-month payslip?

*Here is some important information
you need to know!*

On Aug. 18, 2023, a new federal tax calculation method was instituted in response to incorrect federal tax withholdings.

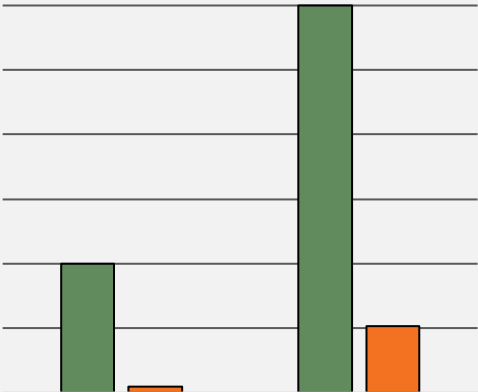
This update came after recognizing that federal tax withholdings on individual semi-monthly payslips did not always accurately reflect the correct tax obligations.

Federal tax withholdings are calculated on the entire earnings between the mid-month check and the first of the following month check.

In general, most of your federal taxes will now be applied to the first of the month payslip, with a minimal amount reflected in your mid-month payslip. See the example below.

You are ***not***
*being taxed at
a higher rate.*

| Date | Gross Pay | Tax Withholding |
|---|-----------|-----------------|
| <u>Mid-month</u> May 15 | \$2000 | \$85 |
| <u>First of the Following Month</u> June 1 | + | + |
| | \$6000 | \$1030 |
| <u>Cumulative</u> Total | = | = |
| | \$8000 | \$1115 |



| Payslip Type | Gross Pay | Tax Withholding |
|----------------------------------|-----------|-----------------|
| Mid-Month Payslip | \$2000 | \$85 |
| First of Following Month Payslip | \$6000 | \$1030 |

■ Gross Pay ■ Tax Withholding

Frequently Asked Questions

1. When was this tax update implemented?

The federal tax update was implemented on Aug. 18, 2023, with impacted employees seeing the update starting with the Sept. 1, 2023, payslip.

2. What was wrong with the federal tax withholding calculations before?

The federal tax withholding calculations were potentially under withheld before because the withholdings on semi-monthly payslips did not accurately reflect the correct tax obligation.

3. How is the new method of federal tax withholding different from the old one?

The new method calculates federal tax withholding by combining your mid-month and first of the following month payslips, for more accurate withholding across each pay period. Previously, federal tax withholdings were calculated independently for each payslip.

4. Will this affect my net pay?

The change in federal tax withholding should not affect the total net pay, but for most with mid-month pay, employees will see the majority of their federal taxes being deducted on the first of the month payslip.

5. What should I do if I notice discrepancies in my federal tax withholding?

If you notice discrepancies in your federal tax withholdings you should contact your agency's payroll department for assistance and clarification.

6. How do I update my withholding elections?

To update your withholding elections, please follow the "[Entering and Updating Withholding Elections \(W-4\)](#)" knowledge article.