

IRS Releases 2016 Notice 1036

The IRS has released the 2016 Notice 1036, which contains the official 2016 withholding allowance amounts, the amount to add to nonresident alien employees' wages for calculating their income tax withholding and the percentage method withholding tables.

2016 withholding allowance amounts

The value of one withholding allowance per pay period is:

- Weekly: \$77.90
- Biweekly: \$155.80
- Semimonthly: \$168.80
- Monthly: \$337.50
- Quarterly: \$1,012.50
- Semiannual: \$2,025.00
- Annual: \$4,050.00
- Daily or miscellaneous: \$15.60.

Nonresident employees' withholding

Except for nonresident students or business apprentices from India, add these amounts per pay period to your nonresident employees' wages:

- Weekly: \$43.30
- Biweekly: \$86.50
- Semimonthly: \$93.80
- Monthly: \$187.50
- Quarterly: \$562.50
- Semiannual: \$1,125.00
- Annual: \$2,250.00
- Daily or miscellaneous: \$8.70

Nonresident employees can generally claim only one withholding allowance on their W-4s.

2016 percentage method tables

We've included the 2016 percentage method withholding tables at the Forms, Tables & Publications portion of Payroll Legal Alert's website. Point your browser to: <http://www.payrolllegalalert.com/forms-tables-publications>.

Pension COLAs. Employees can continue to defer \$18,000 into their 401(k) accounts on a pretax basis. The overall amount they can defer, including pretax, after-tax and employer contributions is the lesser of 100% of their compensation or \$53,000.

Qualified transportation fringes. The monthly tax-free reimbursement for qualified employer-provided parking increases \$5, to \$255; the monthly tax-free exclusion for mass transit benefits and rides in commuter vehicles remains \$130. Bicycle fringes are \$20 a month and can't be funded on a pretax basis.

Health benefits. The salary limit for the 50% small employer tax credit increases to \$25,900, from \$25,800. The maximum pretax amount employees can salt away in their health flexible spending accounts remains \$2,550.