



# Monterey County Office of Education

Dr. Nancy Kotowski  
County Superintendent of Schools

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Finance and Business Services

Bulletin No. 15-015

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TO: Monterey County District Superintendents and CBOs

FROM: Garry Bousum, Associate Superintendent of Finance and Business Services

DATE: March 27, 2015

RE: Certificated Pay Date Change for 2015

In response to several district requests, the Monterey County Office of Education will be changing the practice of issuing certificated employee December paychecks in January to issuing the December paycheck on the last working day of December.

This means that during **calendar year 2015**, your certificated employees will receive an additional paycheck (employees who normally receive 12 paychecks, will receive 13 paychecks; employees who normally receive 11 paychecks will receive 12 paychecks) because their December paycheck will be paid on the last working day of December rather than being deferred to January. For 2015, this date is December 30.

For the 2015 tax year, this change in pay dates may have tax implications for your certificated employees depending upon whether or not the paycheck they receive in December is significant enough to put them in a higher tax bracket with the Internal Revenue Service and/or State of California Franchise Tax Board. We recommend that you notify each of your certificated employees with the recommendation that they contact their independent professional tax advisor regarding their personal financial outcome of receiving the December paycheck in December for 2015.

To support the school districts in this transition year, MCOE will be providing several tax information sessions throughout the county where certificated employees will have an opportunity to hear a discussion about the possible tax implications and the options to mitigate them. The sessions will be as follows:

- April 29 - MCOE Rooms A & B 4:00-6:00, Salinas (901 Blanco Circle)
- April 30 - Greenfield High School Library 4:00-6:00, Greenfield (225 El Camino Real)
- May 1 - MPUSD Instructional Media Center 4:00-6:00, Monterey (540 Canyon Del Rey)

The following documents are included to help employees determine how the change in the payroll date may affect them:

1. 2015 Certificated Pay Date Change Questions and Answers Guide
2. Worksheet to Determine Estimated Federal and State Taxable Income
3. Year 2015 Tax Rates

Also attached is the word document of the letter MCOE sent to their certificated employees for you to use as a template for notifying your employees if you wish.

If you have any questions, please contact Garry Bousum at (831) 755-0307.

## **Certificated Pay Date Change for 2015**

### **Questions and Answers Guide**

*Answers provided are not meant to be all inclusive and do not take the place of professional tax advice.*

#### **1. When will I receive my December paycheck?**

You will receive your December paycheck on the last working day in December rather than in January as in the past. Moving forward your December paycheck will always be paid on the last working day of the month.

New Certificated Pay Date: December 30, 2015, Wednesday  
Old Certificated Pay Date: January 4, 2016, Monday

#### **2. Why is there a change in issue date for the December paycheck?**

1970 legislation resulted in the certificated paycheck for December being issued on the first working day of January rather than being paid in December.

As the result of several requests from districts, this process of deferring the December paycheck to January will no longer occur. Your December paycheck will now be issued on the last working day of December. For 2015, the last working day of December is December 30. Moving forward your December paycheck will always be paid on the last working day of December.

#### **3. Will changing the pay date affect my retirement?**

No. The December creditable service and compensation is reported as December earnings to the State Teachers' Retirement System (STRS) regardless of the payroll date, December 30<sup>th</sup> or January 4<sup>th</sup>.

#### **4. Since I will be receiving my December paycheck in December 2015 rather than January 2016, will I bump into a higher tax bracket?**

Probably not. Most employees will remain in their current tax bracket, but each employee's income tax situation is different. Some employees are already in a higher tax bracket when they combine their income with their spouse's income. Each employee should determine the significance or insignificance the extra paycheck may have to his or her personal federal and state income tax responsibility for calendar year 2015.

**5. How do I know what my taxable income and tax bracket are?**

Below are general instructions to estimate taxable income. The results of this calculation does not take into consideration other factors that may apply to your personal financial situation such as wages from a spouse or other sources that would increase your taxable income. Attached is *Year 2015 Tax Rates* for use in estimating an employee's tax bracket. Information on the sheet is from the *IRS Publication 15 (Circular E) Employer's Tax Guide* and the *2015 California Employer's Guide*. Employees may also want to speak to a professional tax advisor.

Add (+) Gross Wages	January 2015-December 2015 (Including stipends paid through payroll)
Add (+) Taxable Benefits	Car allowance, district vehicle personal use, domestic partner, group term life insurance, non-qualified moving reimbursements, third party sick pay
Subtract(-) Tax Exempt Amounts	Flexible Spending Accounts (FSA – i.e. dependent care, medical reimbursement, adoption), Section 125 Cafeteria Plan (health insurance premiums)
Subtract (-) Retirement	STRS Employee Share (8.15%)
Subtract (-) Tax Deferred Items	403(b) TSA, 457 Deferred Compensation
Subtract (-) Withholding Allowance	Find your allowance(s) on the <i>Year 2015 Tax Rate</i> sheet
Equals (=) Estimated <b>Federal</b> Taxable Income	- Use this figure to find your federal income tax bracket
Subtract (-) State Non-Taxable Benefit	Domestic Partner
Equals (=) Estimated <b>State</b> Taxable Income	- Use this figure to find your state income tax bracket

**WORKSHEET TO DETERMINE ESTIMATED FEDERAL AND STATE TAXABLE INCOME**

<b>Box #</b>	<b>Enter Annual Amount</b>	<b>Description</b>	<b>Function</b>
1		Gross Wages	
2		Taxable Benefits	
3		Total Wages & Taxable Benefits	Add amounts in box 1 and 2
4		Tax Exempt Amount	
5		Retirement	
6		Tax Deferred Items	
7		Withholding Allowance	
8		Total Reductions	Add amounts in box 4, 5, 6, 7
9		Estimated Federal Taxable Income	Subtract amount in box 8 from amount in box 3
10		Domestic Partner	
11		Estimated State Taxable Income	Subtract amount in box 10 from amount in box 9

# YEAR 2015 CALIFORNIA TAX RATES

## STATE ANNUAL TAX RATES — METHOD B

Rates are applied to annual taxable earnings (annual gross less pre-tax salary reductions) as shown in Table 1.

- A) \$0 tax if annual taxable earnings are equal to or less than  
 \$13,267 if SINGLE or MARRIED—0 or 1 exemption  
 \$26,533 if Unmarried Head of Household—2 or more exemptions
- B) Apply rate to annual taxable earnings less standard deductions for each Estimated Deduction allowance as shown on DE4 *Employee's Withholding Allowance* form.

Standard deduction (Table 3)

Married 0 or 1 exemption.....	\$3,992
2 or more exemptions.....	\$7,984
Single.....	\$3,992
Unmarried Head of Household.....	\$7,984

Single Person, Dual Income Married, Married with Multiple Employers (Table 5)					Married Persons (Table 5)				
If the taxable income is:		The computed tax is			If the taxable income is:		The computed tax is		
Over	But not over	Of Amount Over	Plus		Over	But not over	Of Amount Over	Plus	
\$0	\$7,749	1.100%	\$0	\$0	\$0	\$15,498	1.100%	\$0	\$0
\$7,749	\$18,371	2.200%	\$7,749	\$85.24	\$15,498	\$36,742	2.200%	\$15,498	\$170.48
\$18,371	\$28,995	4.400%	\$18,371	\$318.91	\$36,742	\$57,990	4.400%	\$36,742	\$637.85
\$28,995	\$40,250	6.600%	\$28,995	\$786.38	\$57,990	\$80,500	6.600%	\$57,990	\$1,572.76
\$40,250	\$50,869	8.800%	\$40,250	\$1,529.21	\$80,500	\$101,738	8.800%	\$80,500	\$3,058.42
\$50,869	\$259,844	10.230%	\$50,869	\$2,463.68	\$101,738	\$519,688	10.230%	\$101,738	\$4,927.36
\$259,844	\$311,812	11.330%	\$259,844	\$23,841.82	\$519,688	\$623,624	11.330%	\$519,688	\$47,683.65
\$311,812	\$519,687	12.430%	\$311,812	\$29,729.79	\$623,624	\$1,000,000	12.430%	\$623,624	\$59,459.60
\$519,687	\$1,000,000	13.530%	\$519,687	\$55,568.65	\$1,000,000	\$1,039,374	13.530%	\$1,000,000	\$106,243.14
\$1,000,000	and over	14.630%	\$1,000,000	\$120,555.00	\$1,039,374	and over	14.630%	\$1,039,374	\$111,570.44

Unmarried/Head of Household (Table 5)				
If the taxable income is		The computed tax is		
Over	But not over	Of Amount Over	Plus	
\$0	\$15,508	1.100%	\$0	\$0
\$15,508	\$36,743	2.200%	\$15,508	\$170.59
\$36,743	\$47,366	4.400%	\$36,743	\$637.76
\$47,366	\$58,621	6.600%	\$47,366	\$1,105.17
\$58,621	\$69,242	8.800%	\$58,621	\$1,848.00
\$69,242	\$353,387	10.230%	\$69,242	\$2,782.65
\$353,387	\$424,065	11.330%	\$353,387	\$31,850.68
\$424,065	\$706,774	12.430%	\$424,065	\$39,858.50
\$706,774	\$1,000,000	13.530%	\$706,774	\$74,999.23
\$1,000,000	and over	14.630%	\$1,000,000	\$114,672.71

- C) Reduce results from "B)" by number of Regular Withholding allowances as shown on DE4 *Employee's Withholding Allowance* form:
- Regular Withholding Allowance for Single, Married and Head of Household (Table 4)
- 0 allowance ..... \$0  
 1 or more allowances..... \$118.80 for each allowance

## YEAR 2015 FEDERAL TAX RATES

### FEDERAL ANNUAL TAX RATES

Rates are applied to annual taxable earnings (annual gross less pre-tax salary reductions) less \$4,000 times number of exemptions claimed.

Single Person—Including Head of Household (Table 7)				Married Person (Table 7)			
If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:		If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$2,300		\$0		Not over \$8,600		\$0	
Over	But not over	Of excess over	Of excess over	Over	But not over	Of excess over	Of excess over
\$2,300	\$11,525	\$0.00 plus 10%	\$2,300	\$8,600	\$27,050	\$0.00 plus 10%	\$8,600
\$11,525	\$39,750	\$922.50 plus 15%	\$11,525	\$27,050	\$83,500	\$1,8450.00 plus 15%	\$27,050
\$39,750	\$93,050	\$5,156.25 plus 25%	\$39,750	\$83,500	\$159,800	\$10,312.50 plus 25%	\$83,500
\$93,050	\$191,600	\$18,481.25 plus 28%	\$93,050	\$159,800	\$239,050	\$29,387.50 plus 28%	\$159,800
\$191,600	\$413,800	\$46,076.25 plus 33%	\$191,600	\$239,050	\$420,100	\$51,577.50 plus 33%	\$239,050
\$413,800	\$415,500	\$119,401.25 plus 35%	\$413,800	\$420,100	\$473,450	\$111,324.00 plus 35%	\$420,100
\$415,500		\$119,996.25 plus 39.6%	\$415,500	\$473,450		\$129,996.50 plus 39.6%	\$473,450