



January 12, 2023

TO: Business, Payroll, and Personnel Administrators
HRS and HCM District Coordinators
Los Angeles County School and Community College Districts
Charter Schools and Other Local Educational Agencies

FROM: Raymond Bribiesca, School Financial Services and Systems Manager
District Personnel Information Services
Division of School Financial Services

SUBJECT: Year 2023 Income Tax Updates

This bulletin provides school districts and local educational agencies (LEAs) with updated information pertaining to federal and state income tax rates for the calendar year 2023.

Federal and state tax withholding rates have been updated for 2023 in both the Human Resource System (HRS) and Human Capital Management (HCM) systems.

Income Taxes

The attached federal and state income tax withholding chart is effective for all payrolls issued on or after January 1, 2023. The tax chart will also be available online at <https://www.lacoe.edu/payroll>.

This bulletin includes:

- Updated Tax Withholding Rates
- Resources/links to federal and state forms
- Sample Notice to Employees

Social Security/OASDI and Medicare

Social Security/OASDI: The employee rate for 2023 remains unchanged at 6.2 percent. The employer rate is also 6.2 percent. The maximum wages subject to Social Security/OASDI in 2023 have increased to \$160,000 for employees and employers.

Medicare: There is no wage base limit for either employee or employer. Employee rates on wages (up to \$200,000) and employer rates remain unchanged at 1.45 percent. The Additional Medicare

Tax initiated in 2013, requires employers to withhold an additional 0.9 percent on wages paid to employees in excess of \$200,000. This additional tax must be withheld in the pay period in which wages are paid in excess of \$200,000. There is no employer portion of Additional Medicare Tax.

California State DE 4 Employee Withholding

Due to the new withholding structure of the 2020 IRS Form W-4, employees must now file a California State Form DE 4 any time an IRS Form W-4 change is made. The State Franchise Tax Board does not require a copy of this form for exempt employees. As of this publication date, Form DE 4 has not been updated for 2023.

IRS Form W-4 “Exempt from Withholding”

Employees claiming exemption from tax withholding must meet the requirements outlined on IRS Form W-4 (Employee’s Withholding Certificate) for this exclusion. The 2021 W-4 exemption expires on February 15, 2023. A new IRS Form W-4 must be received by the employer in order for the employee to continue with this exemption for 2023.

Employees should be advised that the district must apply the tax withholding status of “Single/Standard Withholding” until a current and valid IRS Form W-4 is received. To claim Exempt on the 2023 Form W-4, employees must complete “Step 1” (personal information) and write the word “EXEMPT” in the space below box 4C. The form must be signed and dated to be valid. A California State Form DE 4 should also be collected from employees claiming exempt status.

Resources for Employees

A 2023 IRS Form W-4 is required for anyone hired after January 1, 2023, claiming Exempt, or wishing to update or change their withholding. Employees who submitted a Form W-4 before 2022 are not required to submit a new form if they have no changes to their withholding allowances.

Because the new W-4 format is so different, employees may request assistance in completing the form. We strongly advise districts not to provide tax guidance. Employees should be advised to explore other available resources, such as consulting a tax professional or the IRS Tax Withholding Estimator. The IRS recommends all taxpayers use their Tax Withholding Estimator to perform a “paycheck checkup.” This will help employees ensure they have the right amount of tax withheld from their paychecks. There is a link provided for the IRS estimator in the “Resource” section of this document.

Supplemental Wage Payment Taxation – HRS and HCM

HRS: The aggregate tax method is approved by the Internal Revenue Service (IRS) for tax withholding calculations on each supplemental wage payment unless the district has authorized

the special flat-tax withholding rates. IRS Publication 15-T (Federal Income Tax Withholding Methods) contains additional information. Aggregate taxes are calculated as follows in HRS:

1. The last prime cycle taxable wages and all separate payments in the period, such as additional pay, overtime, and extra assignments, are combined with the current supplemental payments as one wage amount.
2. A tax is calculated on this combined total of wages.
3. The taxes actually withheld on each of the previous payments are then subtracted from the total tax calculation in (2); and
4. The result of the calculation in (3) is the tax amount to be withheld on the current supplemental payment.

As an option to the aggregate method, the IRS provides for the use of a flat-tax option. The 2023 flat-tax withholding rate for federal (22 percent) and state (6.6 percent) is available for use in HRS.

HCM: Supplemental payments in HCM will generally aggregate back to the last payroll and be taxed at the appropriate marginal rate. Payments meeting the IRS definition of supplemental wages (such as bonuses) shall be subject to a flat-tax, federal (22 percent) and state (6.6 percent).

Resources

2023 IRS Form W-4

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

IRS Tax Withholding Estimator

<https://www.irs.gov/individuals/tax-withholding-estimator>

<https://www.irs.gov/paycheck-checkup>

IRS Publication 15-T – Federal Income Tax Reporting Methods 2023

<https://www.irs.gov/pub/irs-pdf/p15t.pdf>

California Employee's Withholding Allowance Certificate - DE 4 Rev. 52 (12-22)

https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de4.pdf

Sample Notice to Employees

A sample information notice is included for annual district communication to employees. Each employer can modify or change the content to suit their needs.

If you have any questions regarding this bulletin, please contact the payroll team at [SFS Payroll Manager@lacoedu](mailto:SFS_Payroll_Manager@lacoedu).

Approved:

Nkeiruka Benson, Director

Division of School Financial Services

RB:sm

Attachments

SFS-A31-2022-2023

YEAR 2023 TAX RATES

and Other Employee Deductions

FEDERAL ANNUAL TAX RATES

2023 Percentage Method Tables

STANDARD Withholding Rate Schedules				
(Use these if the Form W-4 is from 2019 or earlier, or if the Form W-4 is from 2020 or later and the box in Step 2 of Form W-4 is NOT checked. Also use these for Form W-4P from any year.)				
If the Adjusted Annual Wage Amount on Worksheet 1A or the Adjusted Annual Payment Amount on Worksheet 1B is				of the amount that exceeds
At least...	But less than...	The tentative amount to withhold is...		
A	B	C	D	E
Married Filing Jointly				
\$0	\$14,800	\$0.00	plus 0%	\$0
\$14,800	\$36,800	\$0.00	plus 10%	\$14,800
\$36,800	\$104,250	\$2,200.00	plus 12%	\$36,800
\$104,250	\$205,550	\$10,294.00	plus 22%	\$104,250
\$205,550	\$379,000	\$32,580.00	plus 24%	\$205,550
\$379,000	\$477,300	\$74,208.00	plus 32%	\$379,000
\$477,300	\$708,550	\$105,664.00	plus 35%	\$477,300
\$708,550		\$186,601.50	plus 37%	\$708,550
Single or Married Filing Separately				
\$0	\$5,250	\$0.00	plus 0%	\$0
\$5,250	\$16,250	\$0.00	plus 10%	\$5,250
\$16,250	\$49,975	\$1,100.00	plus 12%	\$16,250
\$49,975	\$100,625	\$5,147.00	plus 22%	\$49,975
\$100,625	\$187,350	\$16,290.00	plus 24%	\$100,625
\$187,350	\$236,500	\$37,104.00	plus 32%	\$187,350
\$236,500	\$583,375	\$52,832.00	plus 35%	\$236,500
\$583,375		\$174,238.25	plus 37%	\$583,375
Head of Household				
\$0	\$12,200	\$0.00	plus 0%	\$0
\$12,200	\$27,900	\$0.00	plus 10%	\$12,200
\$27,900	\$72,050	\$1,570.00	plus 12%	\$27,900
\$72,050	\$107,550	\$6,868.00	plus 22%	\$72,050
\$107,550	\$194,300	\$14,678.00	plus 24%	\$107,550
\$194,300	\$243,450	\$35,498.00	plus 32%	\$194,300
\$243,450	\$590,300	\$51,226.00	plus 35%	\$243,450
\$590,300		\$172,623.50	plus 37%	\$590,300

MULTIPLE JOB Withholding Rate Schedules				
(Use these if the Form W-4 is from 2020 or later and the box in Step 2 of Form W-4 IS checked.)				
If the Adjusted Annual Wage Amount on Worksheet 1A is				of the amount that exceeds
At least...	But less than...	The tentative amount to withhold is...		
A	B	C	D	E
Married Filing Jointly				
\$0	\$13,850	\$0.00	plus 0%	\$0
\$13,850	\$24,850	\$0.00	plus 10%	\$13,850
\$24,850	\$58,575	\$1,100.00	plus 12%	\$24,850
\$58,575	\$109,225	\$5,147.00	plus 22%	\$58,575
\$109,225	\$195,950	\$16,290.00	plus 24%	\$109,225
\$195,950	\$245,100	\$37,104.00	plus 32%	\$195,950
\$245,100	\$360,725	\$52,832.00	plus 35%	\$245,100
\$360,725		\$93,300.75	plus 37%	\$360,725
Single or Married Filing Separately				
\$0	\$6,925	\$0.00	plus 0%	\$0
\$6,925	\$12,425	\$0.00	plus 10%	\$6,925
\$12,425	\$29,288	\$550.00	plus 12%	\$12,425
\$29,288	\$54,613	\$2,573.50	plus 22%	\$29,288
\$54,613	\$97,975	\$8,145.00	plus 24%	\$54,613
\$97,975	\$122,550	\$18,552.00	plus 32%	\$97,975
\$122,550	\$295,988	\$26,416.00	plus 35%	\$122,550
\$295,988		\$87,119.13	plus 37%	\$295,988
Head of Household				
\$0	\$10,400	\$0.00	plus 0%	\$0
\$10,400	\$18,250	\$0.00	plus 10%	\$10,400
\$18,250	\$40,325	\$785.00	plus 12%	\$18,250
\$40,325	\$58,075	\$3,434.00	plus 22%	\$40,325
\$58,075	\$101,450	\$7,339.00	plus 24%	\$58,075
\$101,450	\$126,025	\$17,749.00	plus 32%	\$101,450
\$126,025	\$299,450	\$25,613.00	plus 35%	\$126,025
\$299,450		\$86,311.75	plus 37%	\$299,450

The IRS encourages everyone to use their Tax Withholding Estimator located at <https://www.irs.gov/individuals/tax-withholding-estimator>. The tables above will be utilized in the in the estimator after January 1, 2023.

OVER FOR CALIFORNIA STATE ANNUAL TAX RATES AND OTHER RATES

(SAMPLE) NOTICE TO EMPLOYEES

Date

TO: Employees
FROM: (District Administrator)
SUBJECT: Year 2023 Income Tax Changes and Withholding
Information Effective January 1, 2023

Federal and State Income Tax Withholding

Updated tax changes have been implemented for payrolls **issued** on and after January 1, 2023. Federal and state income tax withholding brackets have been revised and are included with this notice.

Employee Social Security/OASDI and Medicare

The Social Security/OASDI employee rate for 2023 remains unchanged at 6.2 percent, however the maximum subject wages have increased. There is no Medicare wage cap for employees. Employee rates remain unchanged at 1.45 percent; however, the Additional Medicare Tax requires that employers withhold an additional 0.9 percent on wages paid to employees in excess of \$200,000 in a calendar year.

Tax Year Comparison	Year 2022	Year 2023
Social Security/OASDI Rate	6.2 percent	6.2 percent
Medicare Rate	1.45 percent	1.45 percent
Social Security Maximum Wage Base	\$147,000	\$160,200
Medicare Maximum Wage Base	no limit	no limit
Maximum Medicare Contribution (1.45%)	no limit	no limit

Federal Withholding – IRS Form W-4

IRS Form W-4 changed significantly in 2020. The IRS recommends all taxpayers perform a “paycheck checkup” by using their online tool located at <https://www.irs.gov/paycheck-checkup>. Your employer cannot tell you how to complete Form W-4. Please read the instructions carefully and/or consult a tax professional. Only new employees and those wishing to make withholding adjustments, or those claiming exempt must complete the new *IRS 2023 Form W-4, “Employee’s Withholding Certificate”*.

Federal Exempt from Withholding

If you claimed exempt from withholding tax in 2022 and wish to continue in 2023, you must complete a new *IRS 2023 Form W-4* no later than February 15, 2023. The form requires those wishing to claim exempt to write the word “EXEMPT” in “Step 4”, in the space directly under the box 4(c). If you no longer wish to claim exempt status, you must file a new form W-4 for January tax withholding.

State Withholding – Form DE 4

All employees updating their IRS Form W-4 must now also complete a California State Withholding Form (DE 4).

Some items in this notice are provided to comply with IRS’s employee notification requirements.

Should you have any questions regarding this information, please [insert district procedure].