

TO: State Employees

FROM: Hari Kadavath 
Administrator, State Accounting

DATE: January 3, 2013

RE: Paychecks

You may notice a difference in the amount you receive in your next paychecks for the following reasons:

1. The two-month health insurance premium abatement has ended. The necessary steps have been taken to resume the appropriate employer and employee deductions.
2. Adjustments to the withholding tax tables were made as a result of legislation (LB970) which reduces taxes withheld and indexes for inflation. Employees should review their personal tax situation to ensure adequate withholding of state tax.
3. The 4.2% employee Social Security tax rate expired on December 31, 2012. The employee Social Security tax rate reverted back to 6.2%. The annual wage limit (wages subject to the 6.2% tax) increased from \$110,100 to \$113,700.
4. The Medicare tax increases by 0.9% on wages above \$200,000.
5. The withholding allowance for federal taxes increased from \$3,800 to \$3,900 annually resulting in adjustments to the tax withholding tables which may affect the amounts withheld for federal taxes. The withholding allowance for state taxes increased from \$1,700 annually to \$1,900 annually.

You may also be aware that earlier this week Congress passed legislation that raises the top income tax rate from 35% to 39.6% for married filing jointly making over \$450,000/yr and for individuals making over \$400,000/yr, filing as singles. Tax rates on lower income levels are expected to remain the same.