THE UNIVERSITY OF KANSAS
LAWRENCE

TO MEMBERS OF THE STAFF:

Under the new Federal PAY-AS-YOU-GO TAX LAW the State Auditor is required to withhold about 20% of each salary warrant above the exemptions provided in the law, beginning with the July salary.

The new law is designed to make persons pay income taxes as they earn the income, instead of paying them after the end of the year. The monthly deductions really will be advance payments toward the annual income tax which actually can not be computed accurately until the end of the year. In some cases these advance payments will have been too low, in other cases too high, but any difference is to be adjusted in the annual tax return to be made before next March 15. Thus it is clear that the total tax liability of a person will be the same whether the income is earned, and withholding deductions made, in 9 or 12 monthly installments.

In order to establish your exemption status you will need to sign and return to the Business Office both copies of the enclosed Employees Withholding Exemption Certificate. Please be sure to fill out the certificate in detail according to directions. Home address refers to town, state, and street. If you have a Social Security number, give it in the space provided. If you are under 18 years of age, give your age on the name line following your name. Be sure to return your certificates promptly; if you do not file a certificate, the law requires that the State deduct the tax from the entire salary without benefit of any exemption. If you change your personal status, a new certificate must be signed before the end of the month during which the change occurs.

The following table shows the exemptions allowed under the law. Note that the married person's exemption can be divided equally between man and wife, or that either can take the entire exemption. The deduction for dependents can be taken only by the person actually providing the chief support.

Table of Exemptions for Salaries Paid on Monthly Basis

Single person	$ 52
Married person: (a) Claiming whole of personal exemption	104
(b) Claiming half of personal exemption	52
(c) Claiming none of personal exemption	0
Each dependent other than first dependent in case of head of family	26

To determine how much of your pay is subject to tax, refer to the table on the back of this folder. Table 2 applies to any person whose appointment begins **after** the first day of the month, but applies to that month only; Table 1 applies to all other employees.

Here is an example under Table 1: A married man with one dependent claiming all the personal exemption will have $10 withheld from his check if his monthly wages are anywhere between $160 and $200. You will note that only in the case of a salary of $180 will the deduction be exactly 20% of the amount above the exemption; that for the salaries between $160 and $179 the amount withheld will be greater than 20%, and for the salaries between $181 and $200, less than 20%. This is inevitable under the bracket system of taxation, and if there is any difference in your case the adjustment is to be made in your tax report next March.

Certain other features of the law are mentioned below for your information:

Declaration of Estimated Tax. On or before September 15 you will have to file with the Collector of Internal Revenue a Declaration of Estimated Tax for 1943, if you expect to have this year, or had last year, an income from wages of over $2700 if single or $3500 if married, or if you had last year, or expect to have this year, an income from sources other than wages of $100 or more, and total income in excess of your personal exemptions. Any tax due under this Declaration must be paid in equal installments on September 15 and December 15.

Any tax on your 1942 income which you paid before June 15, 1943, is considered to be payments on your 1943 income tax, and that amount therefore is to be deducted from your 1943 estimated tax.

Any errors made in your Declaration of estimated tax are to be corrected in the actual tax return which you will file on or before next March 15. Any underpayment of tax is to be made up by you; for any overpayment the Government will give you a credit against future taxes.

Tax Cancellation. The new law cancels in full the 1942 tax liabilities of all persons whose tax for 1942 was not more than $50; cancels a flat $50 in the case of those whose tax was between $50 and $66.67; and cancels 75% of the tax in the case of those whose total tax was above $66.67. The remainder of the tax is payable one half March 15, 1944, and one half March 15, 1945. However, if a person's tax on his 1943 income is less than the tax on his 1942 income, the cancellation applies to the 1943 tax, and the entire last year's tax must be paid.

Victory Tax. The new law does not eliminate the Victory Tax which you have been paying since January. The Victory Tax remains in effect, and of the Withholding Tax, 17% applies to Income Tax and 3% to the Victory Tax. However the Victory Tax assessment actually remains at 5%, although only 3% will be withheld starting with July. The difference is to be made up by you when you make your annual Victory Tax report.

In case a person is subject only to the Victory Tax, the withholding rate will be only 3%. This situation will occur where the wages are less than the Income Tax exemption but higher than the Victory Tax exemption.

Yours very truly,

KARL KLOOZ, Bursar