TO: **CSEA Officers**
NYS Executive Branch Local Presidents
CSEA State Executive Committee

FROM: **DON KELLY, DEPUTY DIRECTOR**
CONTRACT ADMINISTRATION/RESEARCH

DATE: April 20, 2017

SUBJECT: Taxation Change for Longevity Payment

This explanation has been prepared in response to many inquiries from CSEA Officers members and staff regarding the change in the State's taxation methodology as applied to the Longevity Lump Sum check.

When taxing payroll income, the State of New York has the option of:

(1) adding longevity payment to regular bi-weekly earnings which may result in a higher tax bracket rate for the pay period in which the longevity was paid. (former method used).

or

(2) taxing the longevity payments at a flat tax rate (New in April 2017):

- **2017 IRS Supplemental Tax Rate is 25%**
- **2017 NYS Supplemental Tax Rate is 9.62%**

NYS has unilaterally decided to switch to the second method using the ***Supplemental Flat Rate*** typically resulting in larger tax withholdings. Therefore, an employee's longevity payment is now being taxed at the Supplemental Tax Rate for Federal and State purposes.

Examples of Longevity Payments taxed at the Supplemental Flat Rate Method

	Longevity 1	Longevity 2
Longevity Gross Payment	$1,250.00	$2,500.00
IRS Supplemental Tax Rate (25%)	- 312.50	- 625.00
NYS Supplemental Tax Rate (9.62%)	-120.25	- 240.50
Less: Social Security (6.2%)	- 77.50	- 155.00
Less: Medicare (1.45%)	-18.13	-36.25
Net Payment	$721.62	$1,443.25

Regardless of the method used an individual's tax liability will remain the same at the end of the year.

A change in withholdings will not impact income taxes withheld from the longevity payment when a flat income tax rate is used. Everyone who receives a longevity payment is taxed at the same flat rate regardless of annual salary.

Optional employee action (to recoup some of the Federal and State income tax taken from the longevity check):

As each individual's tax position is different it is advisable for members to consult with their tax advisor to estimate the amount of tax they will owe on their longevity payment. If in fact their tax advisor determines that too much tax has been withheld from their longevity payment an individual can adjust their W-4s / IT-2104s for a period of time to withhold less tax from their regular bi-weekly earnings offsetting the excessive amount withheld from their longevity payment.

Note: Depending on the number of allowances claimed an employer may be required to send W-4s or IT-2104s to the taxing authority. Also, an employer has 30 days to implement withholding changes.

Because the State of New York (Division of Payroll Audit) decided to unilaterally implement this change without notice, discussion or negotiations with CSEA we are in discussions with GOER and the Comptroller's Office exploring all of our available options including potential improper practice charge, a grievance and litigation if necessary.

In Solidarity,

Donald J. Kelly
Deputy Director

Contract Administration/Research

CC: CSEA Staff Cabinet
Specific CSEA Staff
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