

# KENTUCKY PERSONNEL CABINET

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## Important Payroll Information

Dear fellow employee,

Recently, the Internal Revenue Service (IRS) notified the Commonwealth that its method for withholding taxes for employee retirement contributions does not align for purposes of Social Security and Medicare contributions. Therefore, effective January 1, 2017, the Personnel Cabinet will update its computation method.

Employees participating in the Kentucky Retirement Systems (KRS), Judicial Retirement System (JRS), or Legislative Retirement System (LRS) will be subject to Social Security and Medicare taxation. The following example shows the difference for an employee participating in a retirement plan with a 5% contribution.

	Current Calculation	New Calculation
Semi-Monthly Pay	\$1,265.00	\$1,265.00
Less Retirement Contributions	(\$63.25)	-
Base Wages for Social Security and Medicare	\$1,201.75	\$1,265.00
Social Security and Medicare Tax	\$91.93	\$96.77
<b>Increase in Social Security and Medicare Tax</b>		<b>\$4.84</b>

Employees participating in the Kentucky Teachers Retirement Systems (KTRS) will only be subject to Medicare taxation. The following example shows the difference for an employee participating in a retirement plan with a 12.855% contribution.

	Current Calculation	New Calculation
Semi-Monthly Pay	\$1,687.50	\$1,687.50
Less Retirement Contributions	(\$216.92)	-
Base Wages for Medicare	\$1,470.58	\$1,687.50
Medicare Tax	\$21.32	\$24.47
<b>Increase in Medicare Tax</b>		<b>\$3.15</b>

This interpretation is exclusively controlled by the IRS, and the Commonwealth must comply. If you have any questions regarding this change, please contact your agency HR office.

Sincerely,



Thomas B. Stephens  
Secretary