

What are Supplemental Wages?

Supplemental wages are additional compensation (wages) to an employee that are not considered their “regular wages”.

Examples: ACR- Summer Salary Research, ACA, Summer Salary Admin, STP- Stipend, Taxable moving expenses.

Tax withholding for supplemental wages differs depending on whether the supplemental payment is identified as a separate payment from regular wages or not.

<https://www.irs.gov/pub/irs-pdf/p15.pdf> Section 7: Supplemental Wages

Tax Rates: Based on Processing With Versus Without Regular Earnings

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Supplemental wages identified separately from regular wages:

If supplemental wages are paid to an employee separately (or combined into a single payment with regular wages but showing detailed lines specifying the amount of each wage type), **the federal income tax withholding calculation utilizes information from an employee’s regular tax bracket/calculation method.**

1. If income tax is withheld from an employee's regular wages in the current or immediately preceding calendar year, the following methods for the supplemental wages may be utilized.
 - a. Withhold a flat 22% (no other percentage allowed).
 - b. If the supplemental wages are paid concurrently with regular wages, add the supplemental wages to the concurrently paid regular wages and withhold federal income tax as if the total were a single payment for a regular payroll period.** If there are no concurrently paid regular wages, add the supplemental wages to, alternatively, either the regular wages paid or to be paid for the current payroll period or the regular wages paid for the preceding payroll period. Figure the income tax withholding as if the total of the regular wages and supplemental wages is a single payment. Subtract the tax already withheld or to be withheld from the regular wages. Withhold the remaining tax from the supplemental wages. If there were other payments of supplemental wages paid during the payroll period made before the current payment of supplemental wages, aggregate all the payments of supplemental wages paid during the payroll period with the regular wages paid during the payroll period, figure the tax on the total, subtract the tax already withheld from the regular wages and the previous supplemental wage payments, and withhold the remaining tax.
2. If any employee did not have income tax withheld their regular wages in the current or immediately preceding calendar year, use method 1b above.