

IRS-mandated changes are coming for Certified and Classified Staff paychecks!

Beginning in January 2017, Kentucky school districts will be required to withhold additional social security and Medicare taxes on all employees and match the increased taxes for the employer's portion. This is a result of a ruling received by the Kentucky Finance Cabinet from the Internal Revenue Service (IRS) and is affecting all governmental and public school employers and employees in Kentucky.

To estimate your added cost of payroll taxes (which is a reduction to your take-home pay), you can use [eStub's](#) information to calculate it in the following way:

Certified: Look at your most recent paycheck. Take the amount in the "*current*" column for "*teacher retirement no match*" and multiply by .0145. This is the amount of your estimated reduction in take-home pay each month. The district also incurs an additional cost in this amount for each employee (1.45% of their retirement contributions for Medicare.)

Classified: Look at your most recent paycheck. Take the amount in the "*current*" column for "*county employees retirement*" and multiply by .0765. This is the amount of your estimated reduction in take-home pay each month. The district also incurs an additional cost in this amount for each employee (6.2% of their retirement contributions for social security and 1.45% for Medicare.)

The cost to the district for one year is estimated to be \$85,000. **IRS-mandated changes are coming for Certified and Classified Staff paychecks, and we want to share this to help you prepare.**

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The cost to the district for one year is estimated to be \$85,000.

Certified Staff (and Classified Staff paying into KTRS):

In the past and until January 2017, certified staff paying into the [teachers retirement system](#) (referred to as KTRS) have had their wages calculated in this way for tax purposes:

Gross wages minus pre-tax health benefits minus retirement contribution = amount used for calculating Medicare taxes. (Those paying into KTRS do not pay into social security.) An example with numbers is:

\$4000 gross wages per month
-\$150 pre-tax health premiums
-\$514 pre-tax retirement contribution
\$3336 taxable wages

\$3336 x 1.45% Medicare = **\$48.37 paid to Medicare**

With the revised regulations, the new calculation will be:

Gross wages minus pre-tax health benefits = amount used for calculating Medicare taxes. An example using the numbers above is:

\$4000 gross wages per month
-\$150 pre-tax health premiums
\$3850 taxable wages

\$3850 x 1.45% Medicare = **\$55.82 paid to Medicare**

In the example given, the certified employee would pay an additional \$7.45/month in Medicare taxes.

Classified Staff:

In the past and until January 2017, classified staff paying into the [classified retirement system](#) (referred to as CERS or KRS) have had their wages calculated in this way for tax purposes:

Gross wages minus pre-tax health benefits minus retirement contribution = amount used for calculating social security and Medicare taxes. An example with numbers is:

\$1500 gross wages per month
-\$150 pre-tax health premiums
-\$90 pre-tax retirement contribution
\$1260 taxable wages

\$1260 x 1.45% Medicare = **\$18.27 paid to Medicare**
\$1260 x 6.2% social security = **\$78.12 paid to social security**

With the revised regulations, the new calculation will be:

Gross wages minus pre-tax health benefits = amount used for calculating social security and Medicare taxes. An example using the numbers above is:

\$1500 gross wages per month
-\$150 pre-tax health premiums
\$1350 taxable wages

\$1350 x 1.45% Medicare = **\$19.57 paid to Medicare**
\$1350 x 6.2% social security = **\$83.70 paid to social security**

In the example given, the classified employee would pay an additional \$6.88/month in social security and Medicare taxes.