ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-3-71
WITHHOLDING TAX

810-3-71-.02 Computing Tax Withheld.

(1) Employers may elect to compute the amount of Alabama income tax to be withheld from the wages of employees in one of two ways.

(a) The withholding tax may be computed using the withholding tax tables, which are available on the Department's website. The tables show amounts to be withheld for weekly, biweekly, semimonthly, monthly, and quarterly payroll periods.

(b) Alabama withholding tax may also be computed using the following formula, based on information provided by the employee on the Alabama Form A-4, Employee's Withholding Exemption Certificate:

1. The employee will select a withholding exemption, and indicate the selected exemption on the Form A-4.

(i) A withholding exemption of "0" indicates that no personal exemption is selected.

(ii) A withholding exemption of "S" indicates that a full personal exemption is selected.

(iii) A withholding exemption of "M" indicates that personal exemptions for both spouses are being selected.

(iv) A withholding exemption of "H" indicates that the employee is single, has one or more qualifying dependents and is claiming head of family. This has the same value as does the "M" exemption.

(v) A withholding exemption of "MS" indicates that the employee is married, but filing a separate return. This has the same value as does the "S" exemption.

2. Compute the Employee's Gross Income or GI. Multiply the employee's gross wages for the current payroll period by the number of such payroll periods in the year.

3. Compute the Standard Deduction. Employers may round GI to the nearest dollar in determining the standard

deduction. A Standard Deduction chart is also provided in the withholding tax tables available online.

(i) Employee claims “0” or “Single (S)” exemption:

(I) GI of $20,499 or less deduct $2,500;

(II) GI greater than $20,499 but less than $30,000 deduct $2,500 less $25 for each $500 increment or part thereof of GI above $20,499; or

(III) GI of $30,000 or more deduct $2,000.

(ii) Employee claims “Married Filing Separately (MS)” exemption:

(I) GI of $10,249 or less deduct $3,750;

(II) GI greater than $10,249 but less than $15,000 deduct $3,750 less $88 for each $250 increment or part thereof of GI above $10,249; or

(III) GI of $15,000 or more deduct $2,000.

(iii) Employee claims “Married Filing Jointly (M)” exemption:

(I) GI of $20,499 or less deduct $7,500;

(II) GI greater than $20,499 but less than $30,000 deduct $7,500 less $175 for each $500 increment or part thereof of GI above $20,499; or

(III) GI of $30,000 or more deduct $4,000.

(iv) Employee claims “Head of Family (H)” exemption:

(I) GI of $20,499 or less deduct $4,700;

(II) GI greater than $20,499 but less than $30,000 deduct $4,700 less $135 for each $500 increment or part thereof of GI above $20,499; or

(III) GI of $30,000 or more deduct $2,000.

4. Compute the Federal Withholding Tax. Multiply the employee's actual federal withholding tax for the payroll period by the number of such payroll periods in the year.

5. Determine the Personal Exemption. If the employee claims the "0" withholding exemption, the personal exemption is zero. If the employee claims the "S" or the “MS” withholding exemption, the personal exemption is

$1,500. If the employee claims the “M” or the "H" withholding exemption, the personal exemption is $3,000.

6. Compute the Dependency Exemption: Multiply number of dependents other than spouse by the following:

(i) $1,000 if GI less than or equal to $20,000;

(ii) $500 if GI greater than $20,000 but less than or equal to $100,000; or

(iii) $300 if GI greater than $100,000.

7. Add the amounts determined in subparagraphs 3 through 6, above.

8. Compute the taxable amount by subtracting the amount determined in subparagraph 7 from the amount determined in subparagraph 2.

9. Compute the tax for the taxable amount computed in subparagraph 8, as follows:

(i) If the employee is claiming the "0", "S", "H" or "MS" withholding exemption, the tax will be equal to the sum of:

(I) 2% of the first $500,

(II) 4% of the next $2,500, and

(III) 5% of the amount over $3,000.

(ii) If the employee is claiming the "M" withholding exemption, the tax will be equal to the sum of:

(I) 2% of the first $1,000,

(II) 4% of the next $5,000, and

(III) 5% of the amount over $6,000.

10. Compute the Alabama withholding tax by dividing the amount determined in subparagraph 9, above, by the number of such payroll periods in the year.

(c) The withholding tax to be remitted to the Department may be rounded to the nearest dollar.

(2) Tax to be withheld from supplemental wage payments such as bonuses, commissions and overtime pay shall be computed by one of the following methods:

(a) If paid at the same time as regular wages, the tax to be withheld shall be determined as if the aggregate of the supplemental and regular wages were a single wage payment for the regular payroll period.

(b) If paid at a time different from the regular payroll period, the tax to be withheld may be determined by aggregating the supplemental wage either with the regular wages for the current payroll period or with the regular wages for the last preceding payroll period within the same calendar year. First, compute the tax to be withheld on the aggregate amount of wages and compute the tax to be withheld on the regular wages. Next, subtract the tax withheld on the regular wages from the tax withheld on the aggregate wages to leave the balance of tax withheld on the supplemental wages.

(c) Tax for supplemental wage payments may be withheld using a flat rate of 5% without allowance for exemptions or dependents.

(3) Withholding on vacation pay shall be computed as follows:

(a) If the employee receives vacation pay in lieu of regular wages, tax shall be withheld as though it were regular wage payments.

(b) If the employee receives vacation pay in addition to regular wages, such payments shall be treated as supplemental payments and the tax shall be withheld in accordance with paragraph (2).

(4) When wages are paid in a form other than cash (such as certain fringe benefits required to be treated as wages) tax shall be collected and paid to the Department in the same manner as tax withheld on other supplemental wages. See paragraph (2).

(a) The employer must make the necessary arrangements to insure that the amount of tax required to be collected is available for payment in cash.

(5) For payments of all winnings subject to withholding, income tax shall be withheld at the rate of 5% of the amount of proceeds from a wager.

Author: Neal Hearn, CPA, Ann F. Winborne, CPA
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