

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P.O. Box 942850
Sacramento, CA 94250-5878

DATE: January 6, 2003

PAYROLL LETTER # 03-001

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: JOHN HARRIGAN, Chief
Personnel/Payroll Services Division

RE: CHANGE TO TAX WITHHOLDING FOR BONUS PAYMENTS

Recent legislation, Assembly Bill 2065 (Chapter 488, Statutes of 2002), effective January 1, 2003 increases the flat rate for California Personal Income Tax on bonus payments. This new law which is referenced in the unemployment Insurance Code Section 13043 and the Revenue Taxation Code Section 18663 changes the flat tax withholding on bonus payments from a 6% flat rate to a 9.3% flat rate. However, the employer continues to have the option to use the aggregate method (payment combined with regular pay to determine withholding).

As a result of this new law, effective January 1, 2003, the State Controller's Office will commence withholding California State income tax from affected bonus payments using the aggregate method. For Federal income tax, bonus payments will continue to have the 27% flat rate withholding. For the purpose of this legislation, the various employers have identified the following as bonus payments:

CIVIL SERVICE/JUDICIAL BRANCH

EARNINGS ID

BONUS TITLE

9E	PROFESSIONAL COMPETENCY PAY
9G	LOTTERY SALES INCENTIVE BONUS (BU 01)
9J	JUDICIAL BRANCH BONUS
9M	MISCELLANEOUS BONUS TYPES
9O	MORTGAGE INSURANCE MARKETING/PROFIT BONUS
9T	CALTRANS SAFETY BONUS
9X	EXAM BONUS (BU 11)
S9	PERFORMANCE BASED COMPENSATION/SUPERIOR PERFORMANCE BONUS (BU 09)

CALIFORNIA STATE UNIVERSITY

GL	MISCELLANEOUS BONUS TYPES
GK	MISCELLANEOUS BONUS TYPES
GR	LONG TERM SATISFACTORY SERVICE BONUS
S6	PERFORMANCE BONUS (EXEMPT)
SF	PERFORMANCE BONUS (NON EXEMPT)
SW	PERFORMANCE BONUS (BU R08)

If you have any questions regarding this Payroll Letter, please contact Sandra Young at (916) 324-1293 or email syoung@sco.ca.gov.