



TOWN OF LISBON

300 LISBON STREET, LISBON, MAINE 04250

TELEPHONE 353-3000 FAX 353-3007

WWW.LISBONME.ORG

TOWN COUNCIL

Lisa Ward, Chairman
Dillon Pesce, Vice Chairman
Roger Bickford
Christopher Brunelle
Gregg Garrison
Mark Lunt
Eric Metevier

INTERIM TOWN MANAGER

Dale Olmstead

Frequently Asked Questions (FAQ's)

Why is the change being made and why does the employee care?

The change will improve departmental efficiency and be more productive to the departmental core businesses. Employees benefit from the automatic access to their funds with direct deposit enrollment. The Town is processing this change as it makes good business sense. This change will affect cash flow on an individual basis. Employees can see how this will affect their specific cash flow by using the tools developed to calculate the differences in each employee's paycheck caused by this change.

What are important pay dates that I should know?

The final weekly payroll payment will be received on June 26, 2014. It will include time worked for June 15- June 21, 2014.

The first bi-weekly paycheck will be received on July 10, 2014 for the pay period June 22, 2014 through July 5, 2014. Payroll payments will be received every other Thursday thereafter.

What is the effect on my gross payroll?

There is no change to the employee's annual salary. However, payroll payments will be based on 26 bi-weekly pay cycles per year rather than 52 weekly pay cycles. In ten months of the year there are 2 bi-weekly payroll payments per month. In two months of the year, one in the spring and one in the fall, there are 3 bi-weekly payroll payments.

In order to calculate gross bi-weekly payroll, annual salary should be divided by 26. Multiply this resulting amount by 2 to calculate new monthly gross (please note – these are the same).

Example of Monthly Gross:

Annual Gross:	\$36,000
Current Weekly Gross:	\$ 692.31
Bi-weekly Gross:	\$ 1,384.62
<u>Old</u> Monthly Gross:	\$ 2,769.24 for 10 months per year \$ 4,153.86 for 2 months per year
<u>New</u> Monthly Gross:	\$ 2,769.24 for 10 months per year \$ 4,153.86 for 2 months per year



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What is the effect on my net payroll?

There is no change to the employee's annual net payroll. See example below.

Salary

Annual gross salary	\$36,000
Monthly salary	\$ 3,000
Bi-weekly salary	\$ 1,384.62

Tax Withholding

Federal	Single/1
State	1 exemption

Weekly Pay Tax Breakdown

Regular salary	\$692.31
Federal Tax	\$78.94
State Tax	\$43.48
Social Sec	\$29.08
Medicare	\$10.04
Net check:	<u>\$530.77</u>

Net Year Total:

$$52 \times \$530.77 = \$27,600.04$$

Biweekly Pay Tax Breakdown

Regular salary	\$1,384.62
Federal Tax	\$157.89
State Tax	\$86.96
Social Sec	\$58.15
Medicare	\$20.08
Net check:	<u>\$1061.54</u>

Net Year Total:

$$26 \times \$1,061.54 = \$27,600.04$$

When do the bi-weekly pay periods begin and end?

The bi-weekly pay period begins on Sunday at 12:00 am and runs for two weeks, ending at midnight on the second Saturday. Payment for that pay period is paid on the Thursday following the end of the pay period. See payroll calendar for all the bi-weekly pay cycles in 2014 attached.



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Example:

Pay period begins: June 22, 2014 at 12:00 am

Pay period ends: July 05, 2014 at midnight

Pay date: July 10, 2014

Will these changes affect the tax bracket that I am in now?

The employee will earn the same gross amount on a bi-weekly and weekly pay schedule. Please see the comparison of wages for a sample employee for 2014 versus 2015 in order to understand there is no difference in income between the two years.

Salary

Annual gross salary	\$ 36,000
Weekly salary	\$ 692.31
Bi-weekly salary	\$ 1,384.62

2014 Gross W-2 Wages

Weekly pay dates:

1/2, 1/9, 1/16, 1/23, 1/30, 2/6, 2/13, 2/20, 2/27, 3/6, 3/13, 3/20, 3/27, 4/3, 4/10, 4/17, 4/24, 5/1, 5/8, 5/15, 5/22, 5/29, 6/5, 6/12, 6/19, 6/26 = 26 payments

Biweekly pay dates:

7/10, 7/24, 8/7, 8/21, 9/4, 9/18, 10/2, 10/16, 10/30, 11/13, 11/26, 12/11, 12/24 = 13 payments

Weekly pay: $26 \times \$692.31 = \$ 18,000.06$

Biweekly pay: $13 \times \$1,384.62 = \$18,000.06$

2014 Total = \$36,000.12

*If this employee were to finish out the year as a weekly pay recipient their total gross would be \$36,000.12 ($\692.31×52), no difference in pay.



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2015 Gross W-2 Wages

There are 26 biweekly pay dates in 2015.

Biweekly pay: $26 \times \$1,384.62 = \underline{\$36,000.12}$

Will there be an impact on my Retirement Savings plans?

Please contact Payroll with any specific questions that you have regarding contributions to these plans. They can be reached at jmaloy@lisbonme.org or 353-3000 x113.

What is the effect on my paid time off (PTO) accruals?

Employees will continue to accrue PTO at the same annual equivalent rate. Those annual rates will accrue on a bi-weekly schedule under the bi-weekly pay schedule. These accruals will be updated with the closing of each bi-weekly payroll and will be reflected on the employee's paystub.

Bi-weekly accrual rates

Vacation Leave will continue to be granted annually on the employee's anniversary date.

Sick Leave

Annual equivalent accrual 104 hours per year

Bi-weekly accrual 4 hours per pay period x 26 pay periods = 104 hours

What do employees impacted by the change need to do?

Most of the work to ensure the smooth transition to the bi-weekly pay cycle will be done in the payroll office. There will also be some work done by the departmental payroll processors.

Since bi-weekly payroll is so common in the workplace, we know that people have found ways to deal with the cash flow issues. As one example, we have heard that some people set up a separate account that is used to pay all automatic payments. The individual can then calculate how much to have direct deposited into that account from every paycheck to make sure the monthly payments can be made. This, of course, is only one possible solution.



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Will I need to make any changes to my payroll deductions?

If you have a % contribution, nothing needs to be done as it will be a % of a bi-weekly amount instead of a weekly amount. However, if you have a contribution that is a set dollar amount, it will need to be converted to a bi-weekly amount. Employees may receive notification to consider changing their Federal or State tax withholding if they are identified as somebody who has a flat amount taken out. They may also need to consider changing their direct deposit allocations if a flat amount is being designated to one or more financial institutions. The payroll office will identify those individuals potentially impacted by the transition and notify them to review and modify their elections. This notification will occur closer to the date of the transition.

Most deductions will be taken over 24 pay periods rather than 26 pay periods. This means they will only be taken out of the First two (2) pay checks of the month. In the two (2) months where we get three (3) pay checks they will not be taken on the 3rd pay check. This group of deductions include health related items and insurance premiums.

There is an exception:

1. Court related items such as garnishments, levies and child support will be taken on every pay check even if the deductions are voluntary.

Will there be ongoing communication?

Ongoing communication will be shared with staff regarding the transition. Information will also be distributed to departmental payroll processors as applicable. If any questions arise that you need immediate assistance with, please contact payroll. We are happy to help.

Please contact:

Payroll Clerk – Jessi Stein
353-3000 x113
jstein@lisbonme.org

You may also contact me directly:
Jessica Maloy
Finance Director
353-3000 x115
jmaloy@lisbonme.org



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Example of Computing your Maine Income Tax Withholding

MAINE INCOME TAX WITHHOLDING — PERCENTAGE METHOD — 2012

If you use the percentage method to compute Maine income tax withholding, use the following steps:

Step 1 Convert total wages to annual wage amount. Multiply by the payroll frequency: 52 for weekly, 26 for biweekly, 24 for semimonthly, 12 for monthly, 260 for daily or miscellaneous payroll period.

Step 2 Multiply the number of withholding allowances the employee claims by \$2,850. Subtract the result from the annualized wage amount calculated in step 1 to compute the annualized income.

Step 3 Adjustment for Nonresident Aliens. If the employee is a nonresident alien, increase the annualized wages by \$5,950. Do not make this adjustment for employees who are residents of the United States.

Step 4 Compute the annualized withholding amount using the withholding rate schedules on the following page based on the annualized income computed in steps 1, 2 and 3.

NOTE: An individual whose Maine taxable income for the year is \$2,000 or less is allowed a low-income credit equal to the amount of tax otherwise imposed. If the annualized tax amount computed in Step 4 is \$40 or less, the credit applies. In that case, change the withholding amount to zero for the pay period.

Step 5 Divide the annualized withholding amount computed in step 4 by the payroll frequency used in step 1 and round to the nearest dollar. The result is the amount of Maine income tax to be withheld from the payment being made.

For Single Taxpayers

If the annualized income is:

Less than \$ 3,100
\$ 3,100 but less than \$ 8,200
\$ 8,200 but less than \$13,250
\$13,250 but less than \$23,450
\$23,450 or more

The annualized withholding is:

0.0%
2.0% of excess over \$ 3,100
\$ 102 plus 4.5% of excess over \$ 8,200
\$ 329 plus 7.0% of excess over \$13,250
\$ 1,043 plus 8.5% of excess over \$23,450

For Married Taxpayers

If the annualized income is:

Less than \$ 9,050
\$ 9,050 but less than \$19,250
\$19,250 but less than \$29,400
\$29,400 but less than \$49,750
\$49,750 or more

The annualized withholding is:

0.0%
2.0% of excess over \$ 9,050
\$ 204 plus 4.5% of excess over \$19,250
\$ 661 plus 7.0% of excess over \$29,400
\$2,085 plus 8.5% of excess over \$49,750



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Example 1: A single employee is paid \$750 each week. The employee claims two withholding allowances on Form W-4ME. Using the percentage method, compute the employee's withholding as follows:

(1) Gross pay of \$750 x 52 weeks = \$39,000

(2) Compute annualized income:

2 allowances x \$2,850 = \$5,700	
Annualized wage	\$39,000
Allowances	<u>- 5,700</u>
Annualized Income	\$33,300

(4) Compute annualized withholding amount:

	Rate	Tax
\$33,300		
<u>- 23,450</u> See Schedule		\$ 1,043
\$ 9,850	x 8.5%	<u>837</u>
Annualized Withholding Amount		\$ 1,880

(5) Annualized withholding of \$1,880 divided by 52 = \$36.15 rounded to \$36. Withhold \$36 each weekly check.

Example 2: A single employee is paid \$1,500 bi-weekly. The employee claims two withholding allowances on Form W-4ME. Using the percentage method, compute the employee's withholding as follows:

(1) Gross pay of \$1,500 x 26 weeks = \$39,000

(2) Compute annualized income:

2 allowances x \$2,850 = \$5,700	
Annualized wage	\$39,000
Allowances	<u>- 5,700</u>
Annualized Income	\$33,300

(4) Compute annualized withholding amount:

	Rate	Tax
\$33,300		
<u>- 23,450</u> See Schedule		\$ 1,043
\$ 9,850	x 8.5%	<u>837</u>
Annualized Withholding Amount		\$ 1,880

(5) Annualized withholding of \$1,880 divided by 26 = \$72.31 rounded to \$72. Withhold \$72 each bi-weekly check.