

Regular Wages vs. Supplemental Wages

There are two types of wages:

- **Regular Wages**, and
- **Supplemental Wages**

IRS definitions:

Regular wages - wages paid by an employer for a payroll period either at a regular hourly rate or in a predetermined fixed amount.

Supplemental wages - wages that are not regular wages that vary from pay period to pay period. Examples of supplemental wages:

- Bonuses (i.e., ratification bonuses, etc.);
- Back pay;
- Wages paid under reimbursements (i.e., travel reimbursements);
- Non-cash fringe benefits (such as imputed income for health coverage on a Domestic Partner);
- Longevity payments;
- Vacation lump sum payments; and
- Sick pay by a third party

Withholding Practices for Regular vs. Supplemental Wages

- **Regular wages** are taxed based on marital status and number of withholding allowances. The taxes are calculated using the Percentage Method, and the payroll period used is Annual.
- **Supplemental wages** are taxed using a flat rate. The flat rate is 25%. Supplemental wages are calculated strictly using the percentage, a taxation method that is in compliance with IRS Rules and Regulations.

Please Note: Over time, more wages will be identified as supplemental wages and will be taxed using the flat rate.