

2007 Payroll Tax Changes

The standard deduction and the personal exemption amounts have been indexed for inflation. As indexed, the value of the personal exemption on an annual basis was increased to \$3,400.00. The standard deduction for married persons filing joint returns and for surviving spouses increased to \$10,700.00. The standard deduction for heads of households increased to \$7,850.00. Single persons receive an increase to \$5,350.00 in their standard deduction and married persons filing separate returns have their standard deduction increased to \$5,350.00.

The Nebraska income tax rate for 2007 has decreased from the 2006 rate. The value of the withholding allowance has also changed. These reflect the tax cuts for individuals provided in LB 968 (2006 Legislature).

The 2007 Social Security tax rate will remain at 6.2%, the same as it was for 2006, and the Medicare tax rate will remain at 1.45%, the same as it was for 2006. The taxable wage base (the maximum amount of earnings on which Social Security taxes is paid) rises from 94,200 to 97,500 in 2007. There is no taxable wage base for the Medicare portion of the tax.

Faculty, staff and students, are reminded that the "EXEMPT" status from Federal and State income tax withholding expires February 16, 2007 for W-4 Forms submitted on or before December 31, 2006. Individuals who qualify and wish to remain exempt from Federal and State income tax withholding for the 2007 tax year should complete a new 2007 W-4 Form and forward it to Payroll, 205 EAB, before February 16, 2007.