



Regular Wages vs. Supplemental Wages

There are two types of wages:

- 1) **Regular Wages**
- 2) **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 – are wage payments to an employee that aren't regular wages.

Some examples of supplemental wages are the following:

- Bonuses
- Longevity payments
- Retention payments
- Vacation lump sum payments
- Payments for accumulated sick leave
- Awards
- Stipends
- Incentives
- Overtime

Withholding Practices for Regular vs. Supplemental Wages:

Regular Wages are taxed based on marital status and number of withholding allowances.

Supplemental Wage can be taxed using one of two ways:

- Withhold a flat 22% (no other percentage allowed).
- Pay supplemental and regular wages concurrently and withhold federal income tax as if the total were a single payment for a regular payroll period. Depending on the amount of the supplemental wage, employees should expect to pay higher than normal taxes as the supplemental wage(s) usually places them in a higher tax bracket.