

MEMORANDUM

To: International Longshoremen Association of Baltimore, Inc.
From: Steamship Trade Association of Baltimore, Inc.
Date: **July 14, 2009**
Subject: Federal & State Withholding Tax for Vacation, Holiday and Container Royalty Pay

IRS guidelines listed in "Publication 15 (Circular E) Employer's Tax Guide" state that federal income tax withholding must be based on marital status (single or married), withholding allowances and the period for which payment is being made (weekly, quarterly or annually).

Many longshoremen noticed that the above method withheld less federal tax than they wanted on vacation, holiday and container royalty pay. Some requested a flat 25% federal tax withholding. This 2nd method is allowable per Publication 15 which states: "Supplemental wages identified separately from regular wages: **a) Withhold a flat 25% (no other percentage allowed).**" A flat 7.8% state tax withholding option is also allowable in Maryland.

Each Longshoreman may choose one of the following 2 tax withholding options for vacation, holiday and container royalty pay. **If you are satisfied with the amount of taxes currently being withheld for vacation, holiday and container royalty, then no action is required.** The existing tax option will remain in effect for the remainder of 2009.

Tax Withholding Options:

- 1) Withhold 25% federal tax and 7.8% state tax. **Write "Flat Tax on Specialty Pays" on W-4.**
- 2) Withhold federal & state income taxes based upon your marital status & allowances claimed.
 - Taxes on WEEKLY pay will be withheld using WEEKLY withholding tax tables.
 - Taxes on VACATION pay will be withheld using QUARTERLY withholding tables.
 - Taxes on HOLIDAY pay will be withheld using ANNUAL withholding tax tables.
 - Taxes on CONTAINER ROYALTY pay will be withheld using ANNUAL tax tables.**Note: If you complete a new 2009 W-4 under option 2, this change will affect the amount of taxes withheld on your weekly and specialty pay checks!**

Notes:

- A specialty pay tax change can be made **again** this year. **DEADLINE IS JULY 17th.**
- The tax option chosen will be effective for the vacation pay scheduled for **July 30, 2009.**
- The tax option chosen will apply for the remaining calendar year for all 3 specialty pays.
- Choosing the flat tax option will only apply to the 3 specialty pays.
- More taxes are generally withheld under the flat 25% federal and 7.8% state tax methods.

Procedure for Changing Tax Withholding Option:

Visit your ILA Local secretary/treasurer (Julie Mitchell, David Beverage or Steve Lukiewski). **If you want to make a change, complete a new 2009 federal W-4. Choose option 1 (flat tax) if you want more federal and state taxes deducted from your three specialty pay checks!**

Vacation and holiday checks will be mailed following past practices.