

Problem 28

A California employer wants to give a bonus check of exactly \$250 to an employee. Since it wants the check amount to be \$250, it will need to gross up the amount of the bonus. Calculate the withholding taxes and the gross amount of the bonus to be made to the employee whose cumulative earnings for the year are \$45,870. Besides being subject to social security taxes and federal income taxes (supplemental rate), a 6% California income tax must be withheld on supplemental payments.