

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report: December 19, 2001
(Date of earliest event reported)

PAYCHEX, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State of incorporation)	0-11330 (Commission File Number)	16-1124166 (IRS Employer Identification Number)
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911 PANORAMA TRAIL SOUTH, ROCHESTER, NEW YORK (Address of principal executive offices)	14625-0397 (Zip Code)
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(585) 385-6666
(Registrant's telephone number, including area code)

ITEM 9. REGULATION FD DISCLOSURE

The registrant's press release dated December 19, 2001 is attached. This release announces the Company's results of operations for the second quarter ended November 30, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PAYCHEX, INC.

Date: December 19, 2001 /s/ B. Thomas Golisano

B. Thomas Golisano
Chairman, President and
Chief Executive Officer

Date: December 19, 2001 /s/ John M. Morphy

John M. Morphy
Vice President, Chief
Financial Officer and
Secretary

FOR IMMEDIATE RELEASE

John M. Morphy, Chief Financial Officer or Jan Shuler 585-383-3406

Access the Webcast of the Paychex, Inc. Second Quarter Earnings Release Conference Call scheduled for December 19, 2001 at 11:00 a.m. Eastern Standard Time at <http://www.paychex.com> at the Investor Relations home page.

Paychex, Inc. news releases, current financial information, related SEC filings and Investor Relations presentation are accessible at the same Web site.

PAYCHEX, INC. REPORTS RECORD SECOND QUARTER RESULTS

ROCHESTER, NY, December 19, 2001 -- Paychex, Inc. (NASDAQ: PAYX) today announced net income of \$68.7 million, or \$.18 diluted earnings per share, for the quarter ended November 30, 2001, an 11% increase over net income of \$62.1 million, or \$.16 diluted earnings per share, for the same period last year. Total revenues were \$233.0 million, a 12% increase over \$208.1 million for the second quarter last year.

For the six months ended November 30, 2001, the Company reported record net income of \$138.9 million, or \$.37 diluted earnings per share, a 15% increase over \$120.8 million, or \$.32 diluted earnings per share, for the same period

last year. Total revenues were \$467.8 million, an increase of 14% over \$412.0 million for the same period last year.

ECONOMIC CONDITIONS

The Company first experienced the effects of the recession during the first quarter of fiscal 2002, and these effects have heightened during the second quarter. In response to the declining economic conditions, the Federal Reserve has lowered the Federal Funds rate eleven times for a cumulative 475 basis point affect on interest rates. The short- and long-term effect of changing interest rates is disclosed in detail in the Company's financial statements and recent SEC filings, which are accessible at the Company's Web site.

After the effects of volatile interest rates, the most significant impact of a recessionary economy is lower checks per client as existing clients reduce the size of their work force. During the second quarter of fiscal 2002, the Company experienced a 4.3% decline in checks per client compared to 2.6% in the first quarter. During the recession of the early 1990's, the Company experienced an approximate 3% total reduction in checks per client.

Despite the above factors, income before taxes remained strong at 43% of revenues during the first half of the year compared with 42% for the same period last year. If the interest rates and checks per client conditions experienced in fiscal 2000 had prevailed through fiscal 2001 and the first half of fiscal 2002, net income growth in fiscal 2001 would have been approximately 25% compared with a reported 34% growth. Net income growth for the first half of fiscal 2002 would also have been approximately 25% compared with a reported 15%.

SERVICE REVENUES

For the quarter ended November 30, 2001, service revenues, which are comprised of the Payroll and Human Resource and Benefits product lines, were \$217.5 million, an increase of 14% over \$190.7 million for the prior year quarter. For the six months ended November 30, 2001, service revenues were \$433.7 million, an increase of 15% over \$377.2 million for the same period last year.

Payroll service revenue increased 13% to \$188.5 million from \$167.1 million for the prior year second quarter. For the six-month period, Payroll service revenue increased 14% to \$377.9 million from \$331.7 million for the prior year period. The increases in Payroll service revenue reflect growth in the client base, increased utilization of ancillary services and price increases. As of November 30, 2001, 84% of Paychex clients utilized Taxpay(Registered Trademark), the Company's tax filing and payment feature. The Company's Employee Pay Services, which includes Direct Deposit, Readychex(Service Mark) and Access Card products, was utilized by 55% of its clients. Major Market Services revenue increased 56% and 59% for the second quarter and six-month periods to \$16.6 million and \$32.2 million, respectively.

Human Resource and Benefits service revenue was \$29.0 million, an increase of 23% over \$23.6 million for the second quarter last year. For the six-month period, Human Resource and Benefits service revenue increased 22% to \$55.8 million from \$45.6 million for the prior year period. The increases are related primarily to growth in clients for Retirement Services and in client employees served by the Company's comprehensive Paychex Administrative Services (PAS) and Professional Employer Organization (PEO) bundled services. Retirement Services revenue increased 30% and 28% in the second quarter and six-month periods to \$13.6 million and \$25.9 million, respectively.

INTEREST ON FUNDS HELD FOR CLIENTS

For the quarter ended November 30, 2001, interest on funds held for clients was \$15.5 million, an 11% decrease from \$17.4 million for the second quarter last year. For the six months ended November 30, 2001, interest on funds held for clients decreased 2% to \$34.1 million from \$34.8 million. The decreases are the result of lower interest rates earned in fiscal 2002 offset by net realized gains on the sale of available-for-sale securities and higher average portfolio balances. Net realized gains included in interest on funds held for clients were \$2.2 million and \$5.4 million for the second quarter and six-month periods of fiscal 2002 compared with net realized losses of \$.1 million and \$.2 million for the respective prior year periods.

OPERATING INCOME

For the quarter ended November 30, 2001, operating income was \$91.1 million, a 9% increase over \$83.4 million for the second quarter last year. For the six months ended November 30, 2001, operating income increased 14% to \$184.8 million from \$162.3 million in the prior year period. Combined operating and selling, general and administrative expenses increased 14% in the second quarter and 13% for the six-month period over the prior year periods. These increases reflect increases in personnel, information technology and facility costs necessary to support the growth of the Company.

INVESTMENT INCOME

Investment income for the quarter ended November 30, 2001 increased 37% to \$8.2

million from \$6.0 million in the second quarter of last year. Investment income for the six-month period increased 37% to \$15.7 million from \$11.5 million in the prior year period. The increases are due to net realized gains on the sale of available-for-sale securities and higher average daily invested balances offset by the impact of lower interest rates in fiscal 2002. Net realized gains included in investment income were \$1.8 million and \$2.8 million for the second quarter and six-month periods of fiscal 2002 compared with net realized losses of \$.1 million and \$.2 million for the respective prior year periods.

B. Thomas Golisano, Chairman, President and Chief Executive Officer of Paychex, said, "Given the significant decreases in interest rates and declining economic conditions, which continue to impact average checks per client, we are pleased with our results for the second quarter. During these challenging conditions, we remain focused on increasing our client base, utilization of ancillary services and controlling expenses. For fiscal 2002, we expect to produce record revenue and net income with revenue growth in the range of 9% to 11%."

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 Certain written and oral statements made by Paychex, Inc. (the "Company") management may constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by such words and phrases as "we expect," "expected to," "estimates," "we look forward to," "would equate to," "projects," "projected to be," "anticipates," "we believe," "could be," and other similar phrases. Because they are forward-looking, they should be evaluated in light of important risk factors. These risk factors include, but are not limited to, general market and economic conditions, including demand for the Company's products and services, availability of internal and external resources, executing expansion plans, competition, and price levels; changes in the laws regulating collection and payment of payroll taxes, professional employer organizations, and employee benefits, including 401(k) plans, workers' compensation, state unemployment, and section 125 plans; delays in the development, timing of the introduction, and marketing of new products and services; changes in technology, including use of the Internet; the possibility of catastrophic events that could impact the Company's operating facilities, computer technology, and communication systems; stock volatility; and changes in short- and long-term interest rates, changes in market value of available-for-sale securities, and the credit rating of cash, cash equivalents, and securities held in the Company's investment portfolios, all of which could cause actual results to differ materially from anticipated results. The information provided in this document is based upon the facts and circumstances known at this time. The Company assumes no obligation to update this document for new information subsequent to its issuance.

<TABLE>

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

<CAPTION>

	For the three months ended		For the six months ended	
	November 30,	November 30,	November 30,	November 30,
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues:				
Service revenues	\$217,509	\$190,745	\$433,685	\$377,215
Interest on funds held for clients	15,479	17,353	34,117	34,766
Total revenues	232,988	208,098	467,802	411,981
Operating costs	54,731	47,095	108,487	93,022
Selling, general and administrative expenses	87,174	77,578	174,470	156,708
Operating income	91,083	83,425	184,845	162,251
Investment income	8,191	5,965	15,718	11,499
Income before income taxes	99,274	89,390	200,563	173,750
Income taxes	30,576	27,264	61,672	52,994
Net income	\$ 68,698	\$ 62,126	\$138,891	\$120,756
Basic earnings per share	\$.18	\$.17	\$.37	\$.32

Diluted earnings per share	\$.18	\$.16	\$.37	\$.32

Weighted-average common shares outstanding	374,512	372,618	374,237	372,326

Weighted-average shares assuming dilution	377,614	377,839	377,672	377,511

Cash dividends per common share	\$.11	\$.09	\$.20	\$.15

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- (A) Certain amounts for the three- and six-month periods ended November 30, 2000 have been reclassified to conform to the current year presentation. In addition, the Company has changed its segment reporting from two segments to one segment in fiscal 2002.
- (B) Further information on interest on funds held for clients and investment income can be found in the Company's SEC filings, including recent Form 10-Qs, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and subheadings "Results of Operations" and "Market Risk Factors." These SEC filings are accessible at the Company's Web site.

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PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

<CAPTION>

	November 30, 2001	May 31, 2001
	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 96,290	\$ 45,784
Corporate investments	563,893	568,217
Interest receivable	24,646	28,281
Accounts receivable	112,911	100,640
Prepaid expenses and other current assets	8,330	7,306

Current assets before funds held for clients	806,070	750,228
Funds held for clients	1,841,370	2,041,045

Total current assets	2,647,440	2,791,273

Property and equipment - net	107,071	96,078
Intangible assets - net	9,316	9,612
Deferred income taxes	--	1,361
Other assets	8,713	8,872

Total assets	\$2,772,540	\$2,907,196
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LIABILITIES		
Accounts payable	\$ 12,179	\$ 16,377
Accrued compensation and related items	38,718	57,418
Deferred revenue	3,344	4,421
Accrued income taxes	3,196	9,783
Deferred income taxes	17,843	4,996
Other current liabilities	15,203	19,282

Current liabilities before client fund deposits	90,483	112,277
Client fund deposits	1,829,619	2,031,565

Total current liabilities	1,920,102	2,143,842
Long-term liabilities	5,866	5,512

Total liabilities	1,925,968	2,149,354

STOCKHOLDERS' EQUITY

Common stock, \$.01 par value, 600,000 authorized shares

Issued: 374,740 at November 30, 2001 and 373,647 at May 31, 2001	3,747	3,736
Additional paid-in capital	161,535	139,897
Retained earnings	665,145	601,142
Accumulated other comprehensive income	16,145	13,067

Total stockholders' equity	846,572	757,842

Total liabilities and stockholders' equity	\$2,772,540	\$2,907,196
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(A) The combined funds held for clients and corporate investment portfolio balances reflected unrealized gains of \$25.3 million at November 30, 2001 compared with \$20.5 million at May 31, 2001. Intermediate-term interest rates have increased slightly since November 30, 2001 resulting in a decline in the unrealized gain position to approximately \$16 million at December 17, 2001.

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