

Registration No. 333-20797

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

AMENDMENT NO. 1 TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PAYCHEX, INC.

(Exact name of registrant as specified in its charter)

Delaware	16-1124166
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

911 Panorama Trail South
Rochester, New York 14625
(716) 385-6666

(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

John M. Morphy
Chief Financial Officer
911 Panorama Trail South
Rochester, New York 14625
(716) 385-6666

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies To:

Michael H. Messina, Esq. Woods, Oviatt, Gilman, Sturman & Clarke LLP 44 Exchange Street Rochester, New York 14614 (716) 987-2821	William Mandel, Esq. Mandel Buder & Jacobsen 101 Vallejo Street San Francisco, CA 94111 (415) 781-4400
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plan, check the following box

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CALCULATION OF REGISTRATION FEE			
<S> <C>	<C>	<C>	<C>
Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)
Common Stock, \$.01 par value \$ 1,672	117,877	\$ 46.813	\$5,518,176

</TABLE>

(1) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(c) under the Securities Act of 1933, the estimated offering price is based on the average of the high and low prices reported on the Nasdaq National Market on January 29, 1997.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant

shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

117,877 Shares

Paychex, Inc.

Common Stock

This Prospectus relates to the resale, from time to time, by the Selling Stockholders (as defined herein) of up to 117,877 shares (the "Shares") of the Common Stock \$.01 par value ("Common Stock") of Paychex, Inc. ("Paychex" or the "Company"). The Shares were originally issued by Paychex as part of the consideration in a certain acquisition transaction. See "RECENT DEVELOPMENTS." The Shares may be offered to the public from time to time by the Selling Stockholders for their own account for sale at the prevailing prices listed on the National Association of Securities Dealers Automated Quotation (Nasdaq) National Market on the date of sale. See "PLAN OF DISTRIBUTION". Paychex will receive no part of the proceeds of sales made hereunder. All expenses of registration incurred in connection with the offering are being borne by Paychex, but all selling and other expenses incurred by a Selling Stockholder will be borne by such Selling Stockholder.

Paychex Common Stock is traded on the Nasdaq National Market. On January 30, 1997, the last reported sale price of a share of Paychex common stock was \$47.75.

See "Risk Factors" beginning on page 8 of this Prospectus for certain information that should be considered by prospective purchasers of the securities offered hereby.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is _____.

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No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus, and if given or made, such information or representations should not be relied upon as having been authorized. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this Prospectus, or the solicitation of a proxy, in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any distribution of securities pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated herein by reference or in the affairs of Paychex since the date of this Prospectus. However, if any material change occurs during the period that this Prospectus

is required to be delivered, this Prospectus will be amended and supplemented accordingly.

AVAILABLE INFORMATION

Paychex is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Copies of such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following regional offices of the SEC: 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Washington, D.C. 20549.

The SEC maintains a Web Site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The Web Site address is (<http://www.sec.gov>).

Paychex has filed with the SEC a Registration Statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of Paychex Common Stock offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain portions of which have been omitted pursuant to the rules and regulations of the SEC. Such additional information may be obtained from the SEC's principal office in Washington, D.C.

Reports, proxy statements and other information concerning Paychex can be inspected at the NASDAQ Stock Market, 1735 K Street, N.W., Washington, D.C. 20006 on which the Paychex Common Stock is listed.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have been filed by Paychex with the SEC pursuant to the Exchange Act, are incorporated herein by reference:

1. Paychex Annual Report on Form 10-K for the year ended May 31, 1996.
2. The Paychex 1996 Proxy Statement;
3. Paychex Quarterly Reports on Form 10-Q for the quarters ended August 31, 1996 as amended, November 30, 1996, and February 28, 1997;
4. Paychex Current Reports on Form 8-K dated June 25, 1996, September 30, 1996, and January 7, 1997, respectively.

All documents subsequently filed by Paychex pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering made hereby shall be deemed to be incorporated herein by reference and to be a part hereof from the date of filing of such documents. All information appearing in this Prospectus or in any document incorporated herein by reference is not necessarily complete and is qualified in its entirety by the information and financial statements (including notes thereto) appearing in the documents incorporated herein by reference and should be read together with such information documents.

Any statement contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is deemed to be incorporated herein by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

This Prospectus incorporates documents by reference which are not presented herein or delivered herewith. Copies of any such documents, other than exhibits to such documents which are not specifically incorporated by reference therein, are available without charge to any person, including any beneficial owner, to whom this Prospectus is delivered upon written or oral request to Paychex, 911 Panorama Trail South, Rochester, New York 14625, Attention Secretary's Department, telephone (716) 385-3406.

PROSPECTUS SUMMARY

The following summary information is qualified in its entirety by the detailed information and financial statements, including the notes thereto, appearing in the documents incorporated herein by reference or elsewhere in this prospectus.

Paychex Business

The Company operates in two major segments, Payroll and Professional Employer Organization/Human Resource Services, (PEO/HRS). The Payroll segment is engaged in the preparation of payroll checks, internal accounting records and all Federal, state and

local payroll tax returns for small to medium-sized businesses. The PEO/HRS segment specializes in providing small and medium-sized businesses with cost-effective outsourcing solutions for their employee benefits. PEO/HRS includes employee handbooks, section 125 plans and 401(k) plan recordkeeping services. As an outsourcing solution, PEO/HRS relieves the business owner of human resources administration, employment regulatory compliance workers' compensation coverage, health care and other employee related responsibilities. Consistent with PEO industry practice, revenue includes all amounts billed to clients for the services provided by the PEO/HRS segment.

Address & Telephone	Principal executive offices are at 911 Panorama Trail South, Rochester, New York, 14625 with telephone number (716)385-6666. Paychex, Inc. is a Delaware corporation.
Securities Offered	117,877 shares of common stock are offered by Selling Stockholders and none of the proceeds will be received by Paychex.
NASDAQ Symbol	PAYX
Common Stock Outstanding at December 31, 1996	72,148,216 shares
	RISK FACTORS

Ownership of the Common Stock offered hereby involves certain risks. Prospective purchasers should carefully consider the following factors, in addition to all other information contained in this Prospectus or incorporated herein by reference.

Payroll/Tax Services

Competition

The payroll accounting services industry is characterized by intense competition. The principal competitive factors are price and service. Paychex believes it has one major competitor that provides computerized payroll accounting services nationwide. Although this competitor has historically concentrated on larger employers, it has for several years marketed directly to the small and medium sized businesses which constitute the Paychex market. In addition, the Company competes with other providers of computerized payroll services, including banks and smaller independent firms.

The Company's principal competition, used by a majority of the businesses in its market, is manual payroll systems sold by numerous vendors. Some companies have in-house computer capability to generate their own payroll documents and reports.

Investment Risks

Company-owned investments and investments of client funds held for Taxpay and Direct Deposit services consist primarily of municipal securities issued by various agencies and short-term money market securities. Client funds held by the Company are the property of the client. These funds and the related tax and payroll obligations are neither assets nor liabilities of the Company. During the short period between collection and payment, the Company, acting as custodian of the funds, assumes the credit and market risk associated with these investments. Both Company-owned and client-owned investments are exposed to credit risks from the possible inability of the borrowers to meet the terms of their bonds. Investments are also exposed to interest rate volatility which cause fluctuations in the market value of the investments. The Company attempts to limit these risks by investing primarily in AAA and AA rated municipal securities, by limiting amounts that can be invested in any single instrument, and by investing in short to intermediate-term instruments whose market value is less sensitive to interest rate changes.

Professional Employer Services

The Company's subsidiary, Paychex Business Solutions, Inc. ("PBS"), was acquired August 26, 1996. See "RECENT DEVELOPMENTS" and "THE COMPANY - Professional Employer Services." The business, although a minor portion of the Company's current business, represents a significant expansion of the scope of services previously offered by Paychex and involves risks not previously encountered. Some of those risks are described below.

Legal Issues Unsettled

PBS's operations are affected by numerous federal, state and local laws relating to labor, tax, insurance and employment matters and the provision of

managed care services. By entering into an employment relationship with employees who work at client company locations ("worksites employees"), PBS assumes certain obligations and responsibilities of an employer under these laws. Because many of the laws dealing with the employment relationship were enacted prior to the development of alternative employment arrangements, such as those provided by professional employer organizations ("PEOs") and other staffing businesses, many of these laws do not specifically address the obligations and responsibilities of nontraditional employers. Interpretive issues concerning such relationships have arisen and remain unsettled. Uncertainties arising under the Internal Revenue Code of 1986, as amended (the "Code") include, but are not limited to, the qualified tax status and favorable tax status of certain benefit plans provided by most PEOs. The PBS section 125 plan may have to be amended. However, PBS's multiple employer 413(c) plan has already received a favorable determination letter from the IRS.

Market Concentration

PBS's sales in Florida account for most of its revenues. Accordingly, while a primary aspect of PBS growth strategy involves expansion outside of Florida, for the foreseeable future, a significant portion of PBS's revenues will be subject to economic factors specific to Florida.

Adequacy of Reserves for Workers Compensation

PBS maintains a large-deductible worker compensation insurance policy with an insurance carrier. This results in PBS paying substantially all of the workers compensation claims of its worksite employees. The costs incurred by PBS are dependent upon the extent that PBS is successful in managing the severity and frequency of workers compensation injuries and medical claims. PBS maintains reserves for workers compensation based on periodic reviews of open claims as well as past claims experience. PBS has elected to be conservative and as a result, the financial statements of the Company reflect Workers' Compensation expense based on its maximum contractual obligation.

Control of Health Care Costs

Health care costs, including the medical cost associated with workers compensation and insurance premiums, are significant to PBS's operating results. PBS's ability to control such costs is dependent on its skill in evaluating the medical status of each prospective client's work force and the effectiveness of its extensive managed care procedures.

Key Personnel

PBS is dependent to a substantial extent upon the continuing efforts and abilities of certain key management personnel, including Stuart G. Lasher (the company's Chief Executive Officer). All PBS employees, including its officers, have executed non-compete and non-disclosure agreements.

Financial Condition of Clients

PBS is obligated to pay the wages and salaries of its worksite employees regardless of whether PBS's clients pay PBS on a timely basis or at all. To the extent that any client experiences financial difficulty, or is otherwise unable to meet its obligations as they become due, PBS's financial condition and results of operations could be adversely affected. Nevertheless, because of various procedures initiated since inception, PBS has experienced insignificant amounts of bad debt expense.

Competition

The PEO industry is highly fragmented, with approximately 1,100 companies providing PEO services. PBS encounters competition from other PEOs and from single-service and "fee for service" companies such as payroll processing firms, insurance companies and human resource consultants. The key elements of competition for a PEO, in addition to the fees it charges, are the quality of its products (health, workers compensation and 401(k) retirement plans), the sophistication of its proprietary software system and the implementation of a client service team for each client.

RECENT DEVELOPMENTS

On August 26, 1996, Paychex acquired National Business Solutions, Inc., a Florida Corporation which became a wholly-owned subsidiary of Paychex under the name Paychex Business Solutions, Inc. ("PBS"). The business of PBS is described below in "THE COMPANY - Professional Employer Services". Unless otherwise indicated, the term "Company" shall refer to Paychex and all of its subsidiary corporations.

On November 21, 1996, Paychex acquired Olsen Computer Systems, Inc. a California corporation which became a wholly-owned subsidiary of Paychex under the name "Paychex Computer Systems, Inc." ("PCS"). The business of PCS is described below in "THE COMPANY - Payroll and Human Resource Software Licensing".

THE COMPANY

The Company operates in two major segments, Payroll and PEO/Human Resource Services (PEO/HRS). The Payroll segment is engaged in the preparation of payroll checks, internal accounting records and all Federal, state and local payroll tax returns for small to medium-sized businesses. The PEO/HRS segment specializes in providing small and medium-sized businesses with cost-effective outsourcing of human resource administration, employment regulatory compliance, workers' compensation coverage, health care and other employee related responsibilities. PEO/HRS also provides business owners who do not choose to be co-employers with employee handbooks, Section 125 plans and 401(k) plan recordkeeping services.

Payroll Segment

Payroll/Tax Services

Paychex is a national payroll processing and payroll tax preparation company which provides its services to over 245,000 small-to-medium sized businesses. Paychex believes that in number of clients it is the second largest payroll accounting service company in the country. Paychex prepares and furnishes paychecks, earnings statements and internal accounting records such as journals, summaries and earnings histories. Paychex also prepares for its clients all required monthly, quarterly and annual payroll tax returns for federal, state and local governments. Over 60% of its clients nationwide utilize TAXPAY, a service which provides automatic payment of payroll taxes and filing of quarterly and annual payroll tax returns. Paychex also provides enhanced payroll services, including an automatic salary deposit service (DIRECT DEPOSIT) which electronically transmits the net payroll for a client's employees to banks throughout the Federal Reserve System and a digital check signing and inserting service.

PAYLINK, a proprietary software package, enables clients to use their personal computers and modems to transmit their own payroll data into the local Paychex processing center at any time without assistance of a payroll specialist. Currently over 14,000 clients use this feature.

Paychex markets its services principally to small and medium sized businesses through its 75 branch operating centers and 23 sales offices located in major metropolitan areas. Its market share in branch processing center territories ranges from 1% to approximately 20%. No client accounts for as much as 1% of its revenue.

Clients may discontinue Paychex payroll service at will. Approximately 80% of the businesses which were clients in fiscal year 1994 or 1995 continued to be clients in the succeeding fiscal year. Ownership changes or business failures common to small businesses are the primary causes of client loss.

Paychex warrants its services, agreeing to reimburse any client for penalties and interest incurred as a result of a Paychex error. Warranty expense in fiscal years 1996 and 1995 was approximately \$800,000 and \$410,000 respectively.

Paychex employs payroll specialists who communicate primarily by telephone with their assigned clients each payroll period to record the hours worked by each employee and any personnel or compensation changes. These specialists are trained by Paychex in all facets of payroll preparation and applicable tax regulations. All information furnished by a client is handled by someone who is "payroll intelligent" and familiar with that client's payroll.

The Paychex payroll system is an on-line, direct entry computer system which enables the payroll specialist, upon receiving the information from the client over the telephone, to enter it simultaneously. Payroll processing is decentralized in each Paychex branch operating center while TAXPAY and DIRECT DEPOSIT processing are centralized at its headquarters. Sales offices utilize a nearby branch operating center for processing.
Payroll and Human Resource Software Licensing

Paychex Computer Systems, Inc. ("PCS"), a subsidiary of Paychex, Inc. is a leading developer and provider of PC-based software to payroll service bureaus offering automated payroll and human resource records management. Called RAPID PAYROLL, the licensed software can be networked and is capable of generating complex wage- and job-based reports, including labor distribution, general ledger, vacation accruals, job costing, tip allocations, 401(k) and Section 125 calculations and union-related calculations. Clients of service bureau licensees can access the software by modem to input payroll and human resource data for processing, to create reports for any time period and even to print payroll checks. Clients can also view payroll checks and registers prior to processing.

At December 31, 1996, PCS had licensed its payroll and human resource software to over 90 service bureaus who have over 17,000 clients throughout the country. Licensees are generally restricted to using the licensed software in one location only, but are not otherwise restricted in selling their services.

Licensees pay an initial fee upon receipt of their licenses and a per check fee thereafter. Licensees may terminate their licenses without cause on limited notice to PCS. PCS may terminate a licensee only for cause.

Paychex will be competing with PCS licensees in offering the same or similar services in those markets where Paychex and PCS licensees have offices.

PCS is headquartered in Orange County, California and operates service bureaus in Orange County, California and Las Vegas, Nevada, serving over 250 clients. At February 28, 1997, PCS had 25 employees.

As of February 28, 1997, the Payroll segment had approximately 4000 employees.

PEO/HRS Segment

Professional Employer Services

Paychex Business Solutions, Inc. ("PBS), a subsidiary of Paychex, Inc., is a leading professional employer organization ("PEO"), which provides small and medium-sized businesses with an outsourcing solution to the complexities and costs related to employment and human resources. As of December 31, 1996, PBS provided professional employer services to over 250 client worksite employer organizations with over 10,000 employees, primarily in Florida, Georgia, Tennessee and Texas. No single client accounted for more than 4% of PBS' 1996 revenue. PBS was among the first PEOs to be licensed by the Florida Department of Business and Professional Regulation (1992) and the Texas Department of Licensing and Regulation (1994).

Five Core Activities

PBS provides professional employer services through five core activities: (i) human resource administration, (ii) employer regulatory compliance management, (iii) worker compensation cost containment and safety management, (iv) employee benefits and related administration and (v) payroll processing and tax compliance. By engaging PBS to provide these services, clients are freed to concentrate their resources on their core businesses.

(i) Human Resource Administration. PBS' comprehensive human resource services reduce the employment-related administrative burdens faced by its clients, and provide worksite employees with a wide array of benefits typically offered by large employers. As a professional employer, PBS is responsible for payroll, payroll tax deposits, payroll tax reporting, employee file maintenance, unemployment claims, and monitoring and responding to changing regulatory requirements. PBS develops and administers customized personnel policies and procedures for each of its clients, relating to, among other things, recruiting, performance appraisals, discipline and terminations. PBS also provides recruiting, orientation, training, counseling, substance abuse awareness and outplacement services for worksite employees.

(ii) Employer Regulatory Compliance Management. PBS' Client Services Agreement establishes the contractual division of responsibility between PBS and its clients for various payroll, personnel, and benefits matters including compliance with and liability under employment related regulatory requirements. Laws and regulations applicable to employers include state and federal tax laws, and discrimination, sexual harassment and other civil rights laws. The division of applicable responsibilities is generally as follows:

PBS	Client	Joint
* Payment of payroll, tax reporting and payment (state and federal withholding, Federal Insurance Contributions Act ("FICA"), Federal Unemployment Tax Act ("FUTA"), and state unemployment)	* Supervision of Job-specific activities of worksite employees	* Implementation of policies and practices relating to the employer/employee relationship
* Workers compensation compliance, procurement, management and reporting	* Assignment to, and ownership of, all intellectual property rights	* Selection of fringe benefits, including employee leave policies (other than as controlled by the Family and Medical Leave Act of 1993 or state law)
* Employee benefit procurement, administration and payment	* Compliance with Code provisions regarding benefits discrimination	* Employer liability under workers compensation laws
* Compliance with Immigration Reform and Control Act and Consumer Credit Protection Act, as well as monitoring changes	* Product liability	* Compliance with Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Federal Drug Free Workplace Act (and any state or local
	* Professional liability or malpractice	
	* Compliance with OSHA regulations, state and local government contracting provisions, professional licensing requirements and fidelity bonding requirements	
	* Negligent or tortuous conduct of worksite employees acting under the direction and control of the client	

in other government regulations governing the employer/employee relationship and updating the client when necessary

equivalent), the Fair Labor Standards Act and similar state legislation and the Americans with Disabilities Act

PBS assists clients in complying with the above laws and regulations.

Although the Client Services Agreement requires the client to indemnify PBS for any liability attributable to client conduct, PBS may not be able to collect under the indemnification clause. See "Risk Factors - Financial Condition of Clients".

(iii) Workers Compensation Cost Containment and Safety Management. Workers compensation is a state-mandated, comprehensive insurance program that requires employers to fund medical expenses, lost wages and other costs that result from work-related injuries and illnesses, regardless of fault and without any copayment by the employee. PBS seeks to control its workers compensation costs through comprehensive risk evaluation of prospective clients, the prevention of workplace injuries, early intervention in each employee injury, intensive management of the medical costs related to such injuries and the prompt return of employees to work.

PBS seeks to prevent workplace injuries by implementing a wide variety of training, safety and mandatory drug-free workplace programs (including pre-employment, random and post accident drug testing). Specific components of the PBS proprietary managed care system include the prompt identification and reporting of injuries, the use of PBS's carrier for designated health care providers, utilization and fee review, telephonic claims and case management, auditing of bills and other techniques designed to reduce medical costs. PBS's efforts to return employees to work quickly involve both rehabilitation services and the placement of employees in transitional, modified-duty positions until they are able to resume their former positions.

(iv) Employee Benefits and Related Administration. PBS currently offers to worksite employees an employee benefits package which includes several health care options, such as Preferred Provider Organizations ("PPOs"), Health Maintenance Organizations ("HMOs"), and Exclusive Provider Organizations ("EPOs"). Supplemental benefit programs offer dental care, vision care, prescription drugs, an employee assistance plan, mental health benefits and several life and disability insurance options. PBS also offers 401(K) retirement savings and cafeteria plans to its eligible employees. In its role as administrator, PBS delivers participant benefits to worksite employees and monitors and reviews claims for loss control purposes, as well as reconciliation of health premium billings and COBRA compliance. PBS believes that its ability to provide and administer a wide variety of employee benefits on behalf of its clients tends to mitigate the competitive disadvantage small and medium-sized businesses normally face in the areas of employee benefit cost control and employee recruiting and retention.

(v) Payroll Processing and Tax Compliance. PBS offers complete payroll processing, preparation of payroll checks and direct deposits, federal and state tax deposits, monthly and quarterly federal and state tax reporting, and year end W-2 processing and distribution. The Company provides each of its clients with a payroll reporting package which includes payroll and human resource reports. At present, each of these reports and the payroll process used by PBS are different from those used by its parent, Paychex, Inc.

PBS's standard PEO services agreement provides for an initial one year term, subject to termination by PBS or the client at any time during the first year upon 60 days' prior written notice, and thereafter annually. Revenues from professional employer services are based on a pricing model that takes into account the gross pay of each employee and a mark-up which includes the estimated costs of federal and state employment taxes, workers compensation, employee benefits and the human resource administrative services, as well as a provision for profit. The specific mark-up varies by client based on the workers compensation classification of the worksite employees and their eligibility for health care benefits. Accordingly, the Company's average mark-up percentage will fluctuate based on client mix.

Sales and Marketing

PBS markets its services through a direct sales force experienced in fields related to one or more of its core services. Since PBS's acquisition by Paychex in August this year, its sales force and the Paychex Human Resource Services sales force have been undergoing cross training leading to their future combination.

PBS generates sales leads from two primary sources: direct sales efforts and referrals. These leads result in initial presentations to prospective clients. PBS's sales executives then gather information about the prospective client and its employees, including job classification, workers compensation claims history, health insurance claims history, salary and the desired level of employee benefits. These various factors are reviewed in the context of PBS's pricing model and client selection guidelines. A client proposal is prepared and submitted to acceptable clients.

This prospective client screening process plays a vital role in controlling PBS's cost and limiting exposure to liability. Once a prospective client accepts PBS's proposal and has passed the PBS due diligence process, NBS schedules the client conversion process. The PBS Client Services Manager then assumes the responsibility as team leader for administering the client's human resources and benefits as well as coordinating the Company's response to the client's needs for administrative support and responding to any questions or problems encountered by clients.

Information Technology

PBS's proprietary, integrated, state-of-the-art information systems enable it to manage costs and deliver comprehensive high quality services. The systems allow real-time reporting of worksite accidents and injuries, enabling PBS to promptly implement its managed care techniques and thereby better control workers compensation and other health care costs. In addition, PBS has developed a proprietary software product, PRISM, installed on PEO clients' computers which enables clients to directly enter payroll and other human resource management data, via modem dial-in. PRISM also allows the client to interface with automated time clocks, prepare journal entries, month-end accruals, track accrued compensated absences and customize reports through exporting of files to spreadsheets or using report writer capabilities.

Competition

PBS's competitors include (i) traditional in-house human resource departments, (ii) other PEOs, and (iii) providers of unbundled employment-related services such as payroll processing firms, temporary employment firms, commercial insurance brokers, human resource consultants, workers compensation insurers, HMOs and other specialty managed care providers.

Competition in the highly fragmented PEO industry is generally on a local or regional basis. Management believes that the primary elements of competition are quality of service, choice and quality of benefits, and price. PBS believes that name recognition, regulatory expertise, financial resources, risk management and data processing capability distinguish leading PEOs from the rest of the industry.

PBS believes that barriers to entry into the PEO industry are increasing and include the following: (i) the complexity of the PEO business and the need for expertise in multiple disciplines; (ii) the three to five years of experience required to establish experience ratings in key cost areas of workers compensation, health insurance and unemployment; and (iii) the need for sophisticated management information systems to track all aspects of business in a high-growth environment.

PBS maintains four facilities. Its headquarters are located in St. Petersburg, Florida, in a leased building shared with its Tampa Bay PEO unit. Three other PEO units are located in leased facilities in Hollywood and Orlando, Florida, and in Atlanta, Georgia. PBS believes that its current facilities are adequate for its current needs and that additional suitable space will be available as required.

Human Resource Services (HR Products)

The PEO/HRS segment also provides human resource products and services through its HRS division, on an a la carte basis to clients who choose to provide these benefits directly rather than through a co-employer relationship with PBS. Among the HR products is a 401(k) recordkeeping service. This service provides plan implementation, ongoing compliance with government regulations, employee and employer reporting and other administrative services. The HRS division of this segment also offers Cafeteria Plan products approved under Section 125 of the Internal Revenue Code. The Premium Only Plan allows employees to pay for certain health insurance benefits with pre-tax dollars, with a resultant reduction in payroll taxes to employers and employees. The Flexible Spending Account Plan allows a client's employees to pay, with pre-tax dollars, health and dependent care expenses not covered by insurance. All required administration, compliance and coverage tests are provided with these services.

Other HR products include customized employee handbooks, management manuals, job descriptions and personnel forms. These have been designed to simplify clients' office processes and enhance their employee benefits programs. Also available is a measurement and evaluation tool to assist clients in the process of hiring, training and developing employees. Group insurance products are offered in selected geographical areas.

PEO/HRS products and services are sold through a separate sales organization from Payroll/Tax Services. Some of the products and services are available on a nationwide basis through a central telemarketing group.

As of February 28, 1997 the PEO/HRS segment had approximately 300 corporate (non-worksite) employees.

USE OF PROCEEDS

Paychex will not receive any proceeds from the sale of the shares offered hereby.

SELLING STOCKHOLDERS

The following table sets forth, as of December 31, 1996 information with respect to the Shares that are beneficially owned by the persons listed below (the "Selling Stockholders").

In connection with its acquisition of Olsen Computer Systems, Inc. on November 21, 1996 (see "RECENT DEVELOPMENTS"), Paychex issued 392,926 shares of its Common Stock to the two shareholders of that Company. Each of them remains employed by that subsidiary, now known as Paychex Computer Systems, Inc., in the same capacity as during the time prior to the acquisition.

Pursuant to the agreement whereby Paychex acquired Olsen Computer Systems, Inc., Paychex has filed with the Securities and Exchange Commission the Registration Statement of which this Prospectus is a part, and has agreed to use its reasonable best efforts to cause such Registration Statement to become effective as soon as possible after filing. The agreement contains mutual indemnification provisions covering this registration and offering. Paychex has agreed to pay filing fees, costs and expenses associated with the Registration Statement.

On November 7, 1996, a registration statement with respect to 1,053,272 shares of Paychex common stock became effective. The shares were registered pursuant to agreements with shareholders of other companies acquired by Paychex. The shares were offered solely by those shareholders and no proceeds of that offering were, or are to be, received by Paychex. At January 27, 1997, 965,358 of those registered shares remain unsold. A Sticker Supplement dated February 4, 1997 was added to the prospectus which is part of that registration statement.

The Shares, as listed below, may be offered by the Selling Stockholders named below.

<TABLE>
<CAPTION>

Name and Principal Position	Paychex Shares Owned Prior to Offering (1)		Shares Offered	Paychex Shares Owned After Offering (1)	
	Number	Percent		Number	Percent
<S>	<C>	<C>	<C>	<C>	<C>
1. Theodore Olsen President Olsen Computer Systems, Inc.	262,082	*	78,624	183,458	*
2. Cynthia Olsen Vice President Olsen Computer Systems, Inc.	130,844	*	39,253	91,591	*

</TABLE>

(1) Represents ownership of the number of shares and percentage of shares outstanding as of December 31, 1996.

* Less than 1%.

DESCRIPTION OF PAYCHEX COMMON STOCK

Paychex Common Stock consists of 150,000,000 authorized shares with a par value of \$.01 per share. On December 31, 1996, there were 72,148,216 shares of Paychex Common Stock issued and outstanding.

The holders of Paychex Common Stock are entitled to one vote per share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law, the holders of such shares exclusively possess all voting power. The Paychex Certificate of Incorporation does not provide for cumulative voting in the election of directors. The holders of Paychex Common Stock are entitled to such dividends as may be declared from time to time by the Paychex Board from funds available therefore, and upon liquidation, are entitled to receive pro rata all assets of Paychex available for distribution to such holders. All shares of Paychex Common Stock, when issued, are fully paid and non-assessable and the holders thereof do not have preemptive rights.

Section 203 of Delaware Law

The Company is subject to the "business combination" provisions of the Delaware General Corporation Law. In general, such provisions prohibit a publicly-held Delaware corporation from engaging in various "Business combination" transactions with any "interested stockholder," unless (i) the

transaction is approved by the Board of Directors prior to the date the interested stockholder obtained such status, (ii) upon consummation of the transaction which resulted in the stockholder becoming an "interested stockholder," the "interested stockholder" owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or (iii) on or subsequent to such date the "business combination" is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the "interested stockholder." A "business combination" is defined to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder. In general, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to the Company and, accordingly, may discourage attempts to acquire the Company.

Limitations on Liability and Indemnification of Officers and Directors

The Delaware law provides that a corporation may limit the liability of each director to the corporation or its stockholders for monetary damages except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases and (iv) for any transaction from which the director derives an improper personal benefit. The Company's Amended Certificate of Incorporation provides that, to the fullest extent permitted by Delaware law, no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duties as a director. The effect of these provisions is to eliminate the rights of the Company and its stockholders (through stockholders' derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent conduct). The provisions do not exonerate the directors from liability under federal securities laws nor do they limit the availability of non-monetary relief in any action or proceeding against a director. In addition, the Amended Certificate of Incorporation provides that the Company shall, to the fullest extent not prohibited by Delaware Law, indemnify its officers and directors against liabilities, cost and expenses as provided by Delaware Law. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or others pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

Transfer Agent

The Transfer Agent for the Common Stock is American Stock Transfer and Trust Company, New York, New York.

PLAN OF DISTRIBUTION

The Selling Stockholders may, from time to time, offer and sell all or a portion of the Shares in broker's transactions (where no solicitation is involved and no more than the usual and customary broker's commission is received) and transactions directly with market makers or in a private sale if approved by Paychex' counsel.

LEGAL MATTERS

The legality of the Paychex Common Stock to be sold in connection with this registration statement is being passed upon for Paychex by Woods, Oviatt, Gilman, Sturman & Clarke LLP. As of January 27, 1997, the attorneys in that firm owned 113,646 shares of Paychex Common Stock and held options to purchase an additional 23,625 shares. A member of the firm also serves as a director of Paychex.

EXPERTS

The Consolidated Financial Statements of Paychex, Inc. incorporated by reference in Paychex, Inc. Annual Report (Form 10-K) for the year ended May 31, 1996, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The supplemental consolidated financial statements of Paychex, Inc. at May 31, 1996 and 1995, and for each of the three years in the period ended May 31, 1996, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their

report thereon appearing elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The combined balance sheets of National Business Solutions, Inc. as of December 31, 1995 and 1994, and the related combined statements of earnings and cash flows for the years then ended, have been incorporated by reference herein and in the Registration Statement in reliance upon the report of Grant Thornton LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

FINANCIAL STATEMENTS

The financial statements of Olsen Computer Services, Inc. and the pro forma financial information, both required by Item 11(b) of Form S-3, are not presented because the business combination is not significant as defined by Rule 1-02.(w) of Regulation S-X.

CONSOLIDATED FINANCIAL STATEMENTS OF PAYCHEX, INC. AND SUBSIDIARIES

The following supplemental consolidated financial statements assume a business combination between Paychex and PBS which qualifies as a pooling of interests for accounting and financial reporting purposes. The supplemental consolidated financial statements give retroactive effect to the merger of Paychex and PBS which was consummated in August 26, 1996. These supplemental consolidated financial statements will become the historical financial statements of Paychex, Inc. and Subsidiaries. All supplemental financial statements are based upon the respective historical consolidated financial information of Paychex and PBS and should be read in conjunction with such historical financial statements and the notes thereto, which are incorporated by reference in this prospectus. For restatement purposes, Paychex audited consolidated financial statements for each of the three fiscal years in the period ended May 31, 1996 have been combined with the consolidated financial statements of PBS for the same periods.

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Consolidated Statements of Income for each of the three years ended May 31, 1996, 1995, and 1994	24
Consolidated Balance Sheets as of May 31, 1996 and May 31, 1995	25
Consolidated Statements of Stockholders' Equity for each of the three years ended May 31, 1996, 1995, and 1994.	26
Consolidated Statements of Cash Flows for each of the three years ended May 31, 1996, 1995, and 1994	27
Notes to Consolidated Financial Statements for each of the three years ended May 31, 1996, 1995 and 1994	28
REPORT OF INDEPENDENT AUDITORS , ERNST & YOUNG LLP	
Board of Directors Paychex, Inc.	

We have audited the supplemental consolidated balance sheets of Paychex, Inc. and subsidiaries (formed as a result of the consolidation of Paychex, Inc. and National Business Solutions, Inc.) as of May 31, 1996 and 1995 and the related supplemental consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 1996. The supplemental consolidated financial statements give retroactive effect to the merger of Paychex, Inc. and National Business Solutions, Inc. on August 26, 1996, which has been accounted for using the pooling of interests method as described in the notes to the supplemental consolidated financial statements. These supplemental financial statements are the responsibility of the management of Paychex, Inc. Our responsibility is to express an opinion on these supplemental financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the supplemental financial statements referred to above present fairly, in all material respects, the consolidated financial position of Paychex, Inc. and subsidiaries at May 31, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 1996, after giving retroactive effect to the merger of National Business Solutions, Inc., as described in the notes to the supplemental consolidated financial statements, in conformity with generally accepted accounting principles.

As discussed in Note A to the consolidated financial statements, the Company changed its method of accounting for income taxes in fiscal year 1994 and for investments in fiscal year 1995.

Syracuse, New York
August 26, 1996

/s/ Ernst & Young LLP

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

Year Ended May 31 1994 (in thousands, except per share amounts)	1996	1995	
<S>	<C>	<C>	<C>
Payroll revenue	\$ 325,285	\$ 267,176	\$ 224,052
PEO revenue	241,158	144,890	99,853
Total Revenue	566,443	412,066	323,905
PEO direct costs	233,135	139,953	96,952
Operating expenses	101,235	81,663	70,034
Selling, general & administrative expenses	162,151	138,186	119,477
Operating Income	69,922	52,264	37,442
Other income	5,467	3,458	2,220
Income Before Income Taxes	75,389	55,722	39,662
Income Taxes	20,354	15,333	10,916
Net Income	\$ 55,035	\$ 40,389	\$ 28,746
Earnings Per Share	\$.77	\$.57	\$.41
Cash Dividends Per Share	\$.25	\$.15	\$.10
Weighted Average Shares Outstanding	71,286	70,324	70,118

Note: Per share amounts and shares outstanding have been adjusted for three-for-two stock splits in May 1995 and May 1996.

</TABLE>

See Notes to Consolidated Financial Statements.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

May 31, (In thousands, except share and per share amounts)	1996	1995
<S>	<C>	<C>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 19,999	\$ 14,812
Investments	102,967	70,954
Interest receivable	7,385	6,699
Trade accounts receivable	42,076	34,911
Prepaid expenses and other current assets	1,903	1,851
Deferred income taxes	1,419	1,310
Total Current Assets	175,749	130,537
Property and Equipment		
Land and improvements	2,787	2,779
Buildings	24,145	21,304

Data processing equipment	43,439	34,253
Furniture, fixtures and equipment	37,921	29,277
Leasehold improvements	2,718	1,536
	111,010	89,149
Less allowance for depreciation and amortization	60,355	45,148
Net Property and Equipment	50,655	44,001
Other Assets	4,945	523
Total Assets	\$ 231,349	\$ 175,061

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Trade accounts payable	\$ 4,183	\$ 3,679
Accrued compensation and related items	19,120	16,726
Reserve for workers compensation	1,235	613
Accrued income taxes	573	682
Other accrued expenses	5,941	6,206
Deferred revenue	4,934	3,198
Current portion of long-term debt	-	205
Total Current Liabilities	35,986	31,309

Other Liabilities		
Deferred income taxes	416	764
Reserve for workers compensation	865	-
Customer deposits	1,038	713
Long-term debt	-	523
Other long-term liabilities	848	557
Total Liabilities	39,153	33,866

Stockholders' Equity		
Common Stock \$.01 par value, authorized 150,000,000 shares:		
Issued 71,632,456 in 1996 and 46,988,047 in 1995	716	470
Additional Capital	30,112	17,843
Retained Earnings	161,368	122,882
Total Stockholders' Equity	192,196	141,195
Total Liabilities and Stockholders' Equity	\$ 231,349	\$ 175,061

See Notes to Consolidated Financial Statements.

</TABLE>

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>

<CAPTION>

(in thousands)	Common Stock		Additional Capital	Retained Earnings	Total
	Shares Issued	Amount			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at May 31, 1993	20,738	\$ 207	\$ 14,047	\$ 71,164	\$ 85,418
Exercise of stock options	100	1	758		759
Tax benefit from stock option transactions			1,074		1,074
Shares issued in connection with three-for-two stock split	10,374	104		(116)	(12)
Dividends paid				(6,820)	(6,820)
Net income				28,746	28,746
Other			15	(56)	(41)
Balance at May 31, 1994	31,212	312	15,894	92,918	109,124
Exercise of stock options	116	1	1,261		1,262
Tax benefit from stock option transactions			688		688
Shares issued in connection with three-for-two stock split	15,660	157		(175)	(18)
Adjustment to the beginning balance of investments to recognize the net unrealized holding loss on available-for-sale securities (FAS115), net of income taxes of \$140				(206)	(206)
Change in unrealized gains and losses on investments, net of income taxes of \$372				487	487
Dividends paid				(10,531)	(10,531)
Net income				40,389	40,389
Balance at May 31, 1995	46,988	470	17,843	122,882	141,195
Exercise of stock options	320	3	2,810		2,813
Tax benefit from stock option transactions			2,671		2,671
Shares issued in connection with					

three-for-two stock split	23,652	236		(281)	(45)
Shares issued in connection with the merger of Pay-Fone Systems, Inc.	498	5	2,926	1,866	4,797
Shares issued in connection with the acquisition of The Payroll Company, Inc. (d/b/a Payday)	174	2	3,851		3,853
Change in unrealized gains and losses on investments, net of income taxes of \$338				(449)	(449)
Dividends paid				(17,685)	(17,685)
Net income				55,035	55,035
Other			11		11
Balance at May 31, 1996	71,632	\$ 716	\$ 30,112	\$ 161,368	\$ 192,196

See Notes to Consolidated Financial Statements.

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

<CAPTION>

(in thousands) Year Ended May 31	1996	1995	1994
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net income	\$ 55,035	\$ 40,389	\$ 28,746
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	14,063	11,099	11,245
Net change in deferred income taxes	45	(41)	(745)
Provision for bad debts	1,034	847	762
Net realized gain on sales of available-for-sale securities	(709)	(26)	(266)
Changes in operating assets and liabilities:			
Trade accounts receivable	(7,455)	(10,062)	(5,343)
Accrued interest receivable	(686)	(1,832)	(1,574)
Prepaid expenses and other current assets	228	631	274
Trade accounts payable and other current liabilities	1,555	8,146	(38)
Deferred revenue	1,736	352	1,381
Reserve for workers compensation	1,487	613	-
Customer deposits	325	279	92
Net Cash Provided by Operating Activities	66,658	50,395	34,534
INVESTING ACTIVITIES			
Investment purchases of available-for-sale securities	(135,767)	(51,430)	(28,658)
Proceeds from sales of available-for-sale securities	99,667	20,757	20,381
Proceeds from maturities of available-for-sale securities	4,787	1,500	590
Additions to property and equipment, net of disposals	(17,511)	(12,448)	(11,405)
Net change in other assets	(793)	(202)	20
Net Cash Used in Investing Activities	(49,617)	(41,823)	(19,072)
FINANCING ACTIVITIES			
Payments on long-term debt	(431)	(220)	(752)
Proceeds and tax benefit from exercise of stock options	5,484	1,950	1,833
Dividends paid	(17,685)	(10,531)	(6,820)
Payment in lieu of issuance of fractional shares	(45)	(18)	(12)
Other	11	-	(71)
Net Cash Used in Financing Activities	(12,666)	(8,819)	(5,822)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 4,375	\$ (247)	\$ 9,640
Cash & Cash Equivalents, Beginning of Fiscal Year	14,812	15,059	5,419
Cash obtained through Pay-Fone Acquisition	805	-	-
Cash obtained through Payday Acquisition	7	-	-
Cash & Cash Equivalents, End of Fiscal Year	\$ 19,999	\$ 14,812	\$ 15,059

See Notes to Consolidated Financial Statements.

</TABLE>

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Payroll Business Activities: The Company is an integrated provider of automated payroll, payroll tax payment and filing and human resource services for small- and medium-sized businesses nationwide.

In connection with Taxpay, its automated tax payment and filing service, the Company collects payroll taxes, files the applicable tax returns, and pays taxes due to the appropriate taxing authorities. The Company's Direct Deposit service collects net payroll from client accounts and provides automatic salary deposit for employees. The Company invests these client funds in government securities, money market funds and investment grade municipal securities without significant concentration in any one issuer. During the short period between collection and payment, the Company, acting as custodian of the funds, assumes the credit and market risk associated with these

investments. The amount of client funds held by Paychex for the Taxpay and Direct Deposit services fluctuates significantly during the year. At May 31, 1996 and 1995, the total Taxpay and Direct Deposit funds held by Paychex were \$590,929,000, and \$470,847,000, respectively. These client funds and the related tax and payroll obligations are neither assets nor liabilities of the Company and, therefore, are not included in the accompanying financial statements. Related income earned from these investments is included in revenue.

Professional Employer Organization (PEO) Activities: Paychex Business Solutions, Inc. (PBS), previously National Business Solutions, Inc., is engaged primarily in providing human resource management and personnel administration services to a diverse client base of small to medium-sized businesses through a network of branch offices located in Florida and Georgia. PBS does not have a concentration of clients in any one industry.

In addition, PBS provides certain managed care services, including managed health care, employee assistance programs, drug-free workplace programs, comprehensive workers' compensation management, risk management and loss containment services.

Principles of Consolidation: The consolidated financial statements include the accounts of Paychex, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents: Cash equivalents consist of money market and municipal bond funds and other investments with a maturity of three months or less when purchased. Amounts reported in the balance sheet approximate fair value.

Investments: Investments consist of investment grade municipal securities issued by various governmental agencies. The fair value of investments is determined based on information received from an independent pricing service. Realized gains and losses on sales of investments are based on cost. No individual issue comprises greater than 1% of total assets.

Effective June 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115 (FAS 115), "Accounting for Certain Investments in Debt and Equity Securities." In accordance with the Statement, prior period financial statements have not been restated to reflect the change in accounting principle. Investments are classified as available-for-sale and are recorded at fair value with unrealized gains and losses reported as a component of stockholders' equity, net of applicable taxes. The adoption had no effect on net income. The impact of adopting FAS 115 was to decrease stockholders' equity by \$ 206,000 (net of \$ 140,000 of deferred income taxes) at June 1, 1994 to reflect the unrealized loss on securities at the beginning of the fiscal year.

Also effective June 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 107 (FAS 107), "Fair Value Disclosures About Financial Instruments." This standard requires disclosure of fair value information on financial instruments. (See Note B).

Property and Equipment: These assets are stated at cost. Major renewals and betterments are charged to the property accounts, while replacements and maintenance and repairs that do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by the straight-line method over the estimated useful lives of related assets.

Software Development and Enhancement: The Company incurs certain costs to enhance its computer programs. All such costs are expensed as incurred. Expenditures for major software purchases are capitalized and amortized by the straight-line method over the estimated useful lives of the related assets.

Revenue Recognition: Revenues and the related costs of wages, salaries, and employment taxes from PBS activities of worksite employees are recognized in the period in which the employee performs the service. Revenue from Payroll activities includes those amounts billed for services rendered and investment income earned from client funds held by Paychex for the Taxpay and Direct Deposit services.

Accounts Receivable: Accounts receivable consists primarily of amounts billed to clients for services rendered. In addition, PBS' accounts receivable includes certain unbilled receivables (\$4,040,000 and \$1,703,000 in 1996 and 1995, respectively) representing fees for worksite employees from the last pay period ending date through the financial statement date.

Deferred Revenue: The Company defers revenue on certain services billed in advance. The revenue is recognized upon completion of these services.

Reserve for Workers' Compensation: Workers' Compensation for PBS employees is provided under a large deductible insured plan. Since PBS has limited claims loss experience, the Company elected to record reserves for the deductible portion of workers compensation claims costs based on the maximum contractual loss exposure under their workers compensation insurance policy. Management believes that this is a conservative approach and the reserve is adequate to meet its obligations for open claims. As historical loss experience becomes available, the Company will modify its reserve requirements.

Certificates of Deposit, with an aggregate balance of \$960,000 and \$167,000 at May 31, 1996 and 1995 were pledged in conjunction with the PBS workers compensation insurance policy. The Company has a letter of credit in the amount of \$650,000 at May 31, 1996 in conjunction with the workers' compensation policy. (See Note J).

Income Taxes: Effective June 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes." The cumulative effect of the accounting change was not material to net income for the year ended May 31, 1994.

Earnings Per Share: Earnings per share are based on the weighted average shares outstanding in each year. Common stock equivalents resulting from stock options have not been included as their impact is not material.

Cash Dividends Per Share: Cash dividends per share have been restated for prior years to include the effects of distributions made to the stockholders of National Business Solutions, Inc. Cash dividends per share as restated for 1996 were \$.25 as compared to \$.22 as originally reported. The restatement had no effect on 1995 and 1994.

Stock-Based Compensation: The Company accounts for its Stock Option Plans under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized. In October, 1995, The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," which defines a fair value method of accounting for stock based compensation plans, the effects of which can either be disclosed in the notes to the financial statements or recorded in the income statement. FAS No. 123 requires adoption no later than fiscal years beginning after December 15, 1995. Under this method, compensation is usually determined at the date of grant and amortized over the vesting period of the grant. The Company has not yet determined if it will elect to change to the new method, nor has it determined the effect the new standard will have on net income and earnings per share should the Company elect to make this change. Adoption of FAS No. 123 will have no effect on the Company's cash flows.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain amounts from prior years are reclassified to conform to 1996 presentations.

NOTE B - INVESTMENTS

Cost, unrealized gains and losses, and estimated fair value of securities at May 31, 1996 and 1995, were as follows:

<TABLE>

<CAPTION>

(in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
May 31, 1996				
Municipal securities	\$ 103,241	\$ 233	\$ 507	\$ 102,967
May 31, 1995				
Municipal securities	\$ 70,441	\$ 681	\$ 168	\$ 70,954

</TABLE>

Net realized gains and losses on sales of available-for-sale securities are included in other income on the Consolidated Statements of Income. Gross realized gains and losses for 1996, 1995 and 1994, were as follows:

(In thousands)	1996	1995	1994
Gross realized gains	\$ 914	\$ 69	\$ 277
Gross realized losses	\$ 205	\$ 43	\$ 11

The amortized cost and estimated fair value of debt securities at May 31, 1996, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

(in thousands)	Cost	Estimated Fair Value
Maturity Date		

1 Year or Less	\$ 2,657	\$ 2,704
1 to 3 Years	45,795	45,749
3 Year and Over	54,789	54,514
Total	<u>\$103,241</u>	<u>\$102,967</u>

NOTE C - LONG-TERM DEBT

Long-term debt consists of the following:

May 31 (in thousands)	1996	1995
Industrial Revenue Bonds	\$ -	\$ 728
Less current portion	-	205
	<u>\$ -</u>	<u>\$ 523</u>

During the year ended May 31, 1996, operating cash was used to repay the remaining balance on the Industrial Revenue Bonds.

At May 31, 1996, the Company has available unsecured lines of credit from various banks totaling \$200,000,000. No amounts were outstanding against the lines of credit at May 31, 1996.

NOTE D - STOCKHOLDERS' EQUITY

The Company declared three-for-two stock splits effected in the form of 50% stock dividends on outstanding shares on various dates during the fiscal years ended 1996, 1995 and 1994, as follows:

Fiscal Year	Stock Dividend Declaration Dates	Payable to Holders of Record	Stock Dividend Distribution Dates
1996	April 11, 1996	May 2, 1996	May 23, 1996
1995	April 13, 1995	May 2, 1995	May 25, 1995
1994	July 8, 1993	August 2, 1993	August 26, 1993

The Company reserved 1,875,000 shares of common stock for issuance under the 1995 Stock Incentive Plan. The 1992 and 1987 Stock Incentive Plans expired on August 31, 1995 and 1992, respectively; however, options to purchase 1,542,508 shares under these plans remain outstanding. Incentive or non-qualified options may be granted at prices not less than 100% of the fair market value of the common stock at the date of the grant, unless the employee owns more than 10% of the outstanding common stock, in which case the option price for incentive stock options only must not be less than 110% of the fair market value. Outstanding options are generally exercisable in cumulative annual installments ranging from 20% to 50% and expire up to ten years after the date of grant.

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the market value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly, recognizes no compensation expense for the stock option grants.

A summary of stock option activity is as follows:

	Number of Equivalent Shares
Balance May 31, 1993	1,736,270
Issued	536,400
Exercised	(236,433)
Canceled	(50,994)
Balance May 31, 1994	1,985,243
Issued	341,550
Exercised	(256,779)
Canceled	(67,074)
Balance May 31, 1995	2,002,940
Issued	496,558
Exercised	(480,018)
Canceled	(59,572)
Balance May 31, 1996	1,959,908
Exercisable May 31, 1996	838,641
Prices range from \$2.99 to \$18.22	

NOTE E - INCOME TAXES

Effective June 1, 1993, the Company adopted Statement of Accounting Standards No. 109, "Accounting for Income Taxes," which recognizes deferred tax assets and liabilities based on the future tax effects attributable to differences between the tax basis of an asset or liability and its reported amount in the financial statements. As allowed under the standard, prior years' financial statements have not been restated.

Significant components of the deferred tax assets and liabilities as of May 31, 1996 and 1995 are as follows (in thousands):

Deferred tax assets:	1996	1995
Allowance for bad debts	\$ 817	\$ 677
Accrued vacation pay	1,391	1,255
Reserve for future medical claims	293	310
Other expenses not currently deductible	903	655
Unrealized loss on available-for-sale securities	106	-
Total deferred tax assets	\$3,510	\$2,897
Deferred tax liabilities:		
Revenue not subject to current taxes	\$1,877	\$1,297
Depreciation	554	765
Other	76	57
Unrealized gain on available-for-sale securities	-	232
Total deferred tax liabilities	\$2,507	\$2,351
Net deferred tax assets	\$1,003	\$ 546
Classification of Net Deferred Tax Assets:		
Current Assets	\$1,419	\$1,310
Other Liabilities	\$ (416)	\$ (764)

Income tax expense consists of:

	1996	1995	1994
Current:			
Federal	\$ 15,400	\$ 11,404	\$ 8,593
State	4,952	3,970	3,068
Total Current	\$ 20,352	\$ 15,374	\$ 11,661
Deferred:			
Federal	(18)	(31)	(662)
State	20	(10)	(83)
Total Deferred (credit)	2	(41)	(745)
	\$ 20,354	\$ 15,333	\$ 10,916

Below is an analysis reconciling the statutory federal income tax rate to the effective tax rates shown in the Consolidated Statements of Income. For the three years included in the Consolidated Statements of Income, National Business Solutions, Inc. had elected to be taxed as a Subchapter S corporation under federal and state provisions. Accordingly, no tax provision was recorded for the corporation in these restated financial statements, resulting in a reduction of the overall effective tax rate.

	1996	1995	1994
Federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal benefit	4.3	4.6	4.9
Tax-exempt municipal bond interest	(11.3)	(11.9)	(11.3)
Benefit from PBS income not subject to tax	(1.3)	(.9)	(.6)
Other items	.3	.7	(.5)
Effective Tax Rate	27.0%	27.5%	27.5%

NOTE F - COMMITMENTS & CONTINGENCIES

The Company issued a letter of credit in January 1996, in the amount of \$650,000 in conjunction with the workers' compensation insurance policy for 1996. Certificates of deposit totaling \$650,000 are collateral to the letter of credit.

The Company leases office space under the terms of various operating leases. Certain of the underlying agreements contain incentives eliminating or modifying lease payments at the inception of the lease. These incentives are amortized on a straight-line basis over the entire lease term. Amounts expected to be amortized within the next fiscal year are included in other accrued expenses. These amounts were \$314,000 and \$424,000 at May 31, 1996 and 1995, respectively.

Rental expense for all leases on office facilities amounted to approximately \$ 12,888,000 in 1996, \$10,707,000 in 1995 and \$9,499,000 in 1994.

The Company also leases data processing equipment under various operating leases. These obligations extend through 2001. Related equipment lease payments were \$ 2,455,000, \$1,640,000 and \$1,111,000 in 1996, 1995, and 1994, respectively. All leases contain purchase options at prices representing the fair value of the equipment at the expiration of the lease term.

Future minimum lease payments under various facilities and equipment operating leases consist of the following (in thousands):

1997	\$12,321
1998	9,882
1999	7,446
2000	5,406
2001	2,480
Thereafter	1,171
<hr/>	<hr/>
Total minimum lease payments	\$38,706

The Company is a defendant in various lawsuits as a result of normal operations and in the ordinary course of business. Management believes the outcome of these lawsuits will not have a material effect on the financial position or results of operations of the company.

The Company is contingently liable for the guaranteed appreciation of unregistered common stock issued as consideration in the September 29, 1995 acquisition of The Payroll Company (d/b/a Payday). The Company guarantees stock issued at \$28.61 and not sold prior to September 29, 2000, will appreciate by a minimum of 20% to \$ 34.33 or by approximately \$1,000,000, over the five year period ending on September 29, 2000. The per share market value of Paychex stock at May 31, 1996 was \$ 44.00 (See Note I).

NOTE G - EMPLOYEE BENEFITS

Paychex has a 401(k) Incentive Retirement Plan which allows all employees with one or more years of service to participate. The Company currently matches 50% of an employee's voluntary contribution up to a maximum of 3% of eligible compensation. Company contributions were \$2,127,000, \$1,815,000, and \$1,516,000 for 1996, 1995, and 1994, respectively.

PBS sponsors and administers two 401(k) plans and one money purchase plan on behalf of its worksite and corporate employees. PBS clients, at their discretion, may contribute a matching contribution on behalf of each participating worksite employee. Total contributions on behalf of all employees were \$867,000, \$690,000 and \$240,000 for 1996, 1995 and 1994.

NOTE H - SUPPLEMENTAL CASH FLOW DISCLOSURES

Income tax payments totaled \$17,672,000, \$13,831,000, and \$11,633,000 in 1996, 1995, and 1994, respectively.

NOTE I - MERGER AGREEMENTS

Payroll Mergers

On March 20, 1995, the Company and Pay-Fone Systems, Inc., a payroll service provider, agreed in principle that all of the outstanding common stock of Pay-Fone Systems, Inc. would be acquired by the Company in a business combination accounted for as a pooling of interests. Upon consummation of the merger on June 15, 1995, the stockholders of Pay-Fone Systems, Inc. received approximately 497,900 shares of Paychex common stock. The merger did not have a significant impact on the Company's 1996 financial position and results of operations. As a result, prior year financial statements were not restated.

On September 29, 1995, the Company acquired all of the outstanding stock of The Payroll Company, Inc. (d/b/a Payday), a payroll services company, in exchange for approximately 173,800 unregistered shares of Company common stock with a fair value of \$5,000,000 at the date of acquisition. The agreement included a guarantee that the stock issued in the acquisition, and not sold prior to September 29, 2000, will appreciate by a minimum of 20% over the five year period ending on September 29, 2000. (See Note F). The acquisition was accounted for as a purchase and recorded at the net present value of the guaranteed \$6,000,000 purchase price. Goodwill of approximately \$ 4,000,000 was recorded in Other Assets and is amortized on a straight line basis over 10

years.

The results of operations of Payday are included in the accompanying financial statements from the date of acquisition and did not have a significant impact on the Company's 1996 financial position and results of operations.

Merger Subsequent to May 31, 1996

On August 26, 1996, the Company completed its merger with National Business Solutions, Inc. (NBS), now Paychex Business Solutions, Inc. (PBS) a professional employer organization headquartered in St. Petersburg, Florida. The outstanding common stock of NBS was exchanged for 2,934,496 shares of Paychex common stock, valued at \$140,000,000. The transaction was accounted for as a pooling of interests; therefore, prior period financial statements have been restated to reflect this merger. The following is a reconciliation of the amounts of revenue and net income previously reported with restated amounts:

<TABLE>
<CAPTION>

	1996	1995	1994
REVENUE			
<S>	<C>	<C>	<C>
Consolidated Paychex, as previously reported	\$ 325,285	\$ 267,176	\$ 224,052
Paychex Business Solutions, Inc.	241,158	144,890	99,853
Consolidated Paychex, as restated	<u>\$ 566,443</u>	<u>\$ 412,066</u>	<u>\$ 323,905</u>
NET INCOME			
Consolidated Paychex, as previously reported	\$ 52,333	\$ 39,040	\$ 28,070
Paychex Business Solutions, Inc.	2,702	1,349	676
Consolidated Paychex, as restated	<u>\$ 55,035</u>	<u>\$ 40,389</u>	<u>\$ 28,746</u>
EARNINGS PER SHARE	\$.77	\$.57	\$.41

</TABLE>

NOTE J - WORKERS COMPENSATION RESERVES

During 1995, PBS entered into a workers' compensation insurance policy for PEO employees whereby the maximum individual claims exposure is \$350,000 and the aggregate claims exposure is limited to a percentage of workers' compensation payroll. As of May 31, 1996, PBS estimates this will result in a maximum liability of \$2,100,000 when claims are ultimately resolved. The Company believes the reserve is sufficient to meet its obligations for open claims. The Company estimates that approximately \$1,235,000 of the reserve, classified as a current liability, will be paid out in fiscal 1997. The remaining reserve of \$865,000 is reported as a long-term liability at May 31, 1996.

NOTE K - SEGMENT INFORMATION

The Company operates in two major segments, Payroll and PEO/Human Resource Services (PEO/HRS). The Payroll segment is engaged in the preparation of payroll checks, internal accounting records and all Federal, state and local payroll tax returns for small to medium-sized businesses. The PEO/HRS segment specializes in providing small and medium-sized businesses with cost-effective outsourcing of human resource administration, employment regulatory compliance, workers' compensation coverage, health care and other employee related responsibilities. Consistent with PEO industry practice, revenue includes all amounts billed to clients for the services provided by the PEO/HRS segment. PEO/HRS also provides business owners who do not choose to be co-employers with employee handbooks, Section 125 plans and 401(k) plan recordkeeping services.

<TABLE>
<CAPTION>

For the Year Ended May 31 (in thousands, except per share amounts)	1996	1995	1994
<S>	<C>	<C>	<C>
Revenue			
Payroll	\$ 309,516	\$ 254,093	\$ 215,663
PEO/HRS	256,927	157,973	108,242
Total Revenue	<u>566,443</u>	<u>412,066</u>	<u>323,905</u>
PEO/HRS Direct Costs	233,135	139,953	96,952
Revenue, Less PEO/HRS Direct Costs	<u>333,308</u>	<u>272,113</u>	<u>226,953</u>

Operating Costs			
Payroll	93,333	75,837	66,453
PEO/HRS	7,902	5,826	3,581
Total Operating Costs	101,235	81,663	70,034
Selling, General and Admin			
Payroll	143,421	122,325	107,185
PEO/HRS	14,198	12,173	9,040
Total Selling, General and Admin	157,619	134,498	116,225
Operating Income			
Payroll	72,762	55,931	42,025
PEO/HRS	1,692	21	(1,331)
Total Operating Income	74,454	55,952	40,694
General Corporate Expenses	4,532	3,688	3,252
Other Income - Net	5,467	3,458	2,220
Income Before Taxes	\$ 75,389	\$ 55,722	\$ 39,662

NOTE K - SEGMENT INFORMATION (CONT'D)

Identifiable Assets			
Payroll	\$ 218,509	\$ 166,896	\$ 128,803
PEO/HRS	12,840	8,165	5,056
Total Identifiable Assets	\$ 231,349	\$ 175,061	\$ 133,859
Depreciation & Amortization			
Payroll	\$ 13,720	\$ 10,820	\$ 11,030
PEO/HRS	343	279	215
Total Depreciation & Amortization	\$ 14,063	\$ 11,099	\$ 11,245
Capital Expenditures			
Payroll	\$ 17,115	\$ 11,811	\$ 11,393
PEO/HRS	691	724	274
Total Capital Expenditures	\$ 17,806	\$ 12,535	\$ 11,667

</TABLE>

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Expenses of Issuance and Distribution

The following expenses, other than underwriting discounts and commissions, will be incurred by Paychex in connection with this offering and are estimates, except for the registration fee:

SEC registration fee	\$ 1,672
Attorney's fees	\$ 9,000
Accountant's fees	\$10,000
Printing fees	\$ 20

Total estimate	\$20,692

Item 15. Indemnification of Directors and Officers

Pursuant to the Delaware General Corporation Law, the Paychex, Inc. Certificate of Incorporation exculpates directors from liability to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, but not for (1) breach of the duty of loyalty, (2) acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law, (3) paying a dividend or approving a stock repurchase which was illegal, or (4) any transaction from which the director derived improper personal benefit.

Paychex has also entered into an Indemnity Agreement with each of its directors and executive officers whereby the corporation agrees (a) to indemnify the other party against all expenses, judgments, fines or penalties, actually and reasonably incurred in connection with the defense or settlement of a proceeding to the fullest extent permitted by law and (b) to advance expenses which the other party undertakes to repay if otherwise reimbursed or if ultimately determined that he is not entitled to reimbursement.

In addition, Paychex has purchased an insurance policy which provides coverage for its directors and officers in certain situations where Paychex cannot directly indemnify such directors and officers.

Item 16. Exhibits and Financial Schedules

Exhibit No.	Description
5.1	Opinion of Woods, Oviatt, Gilman & Clarke LLP regarding the legality of the securities being registered
23.1	Consent of Ernst & Young LLP
23.2	Consent of Grant Thornton LLP
23.3	Consent of Woods, Oviatt, Gilman, Sturman & Clarke LLP contained in Exhibit 5.1
24.1	Powers of Attorney

Item 17. Undertakings

(a) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a) (3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

Provided, however, that paragraphs (b) (1) (i) and (b) (1) (ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the Company pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment #1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the

City of Rochester, State of New York, on March 27, 1997.

PAYCHEX, INC.

By: /s/ John M. Morphy

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

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on dates indicated.

Name	Title	Date
/s/B. Thomas Golisano _____ B. Thomas Golisano	Chairman of the Board, Chief Executive Officer, President and Director	March 27, 1997
/s/John M. Morphy _____ John M. Morphy	Vice President, Chief Financial Officer and Secretary	March 27, 1997
* _____ Donald W. Brinckman	Director	March 27, 1997
* _____ Steven D. Brooks	Director	March 27, 1997
* _____ G. Thomas Clark	Director	March 27, 1997
* _____ Phillip Horsley	Director	March 27, 1997
* _____ Grant M. Inman	Director	March 27, 1997
* _____ Harry P. Messina, Jr.	Director	March 27, 1997

J. Robert Sebo

*By: /s/John M. Morphy

John M. Morphy, as Attorney-in-Fact

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated August 26, 1996 with respect to the supplemental consolidated financial statements of Paychex, Inc. included in the Registration Statement (Form S-3 Amendment No. 1, No. 333-20797) and related Prospectus of Paychex, Inc. for the registration of 117,877 shares of its common stock and to the incorporation by reference therein of our report dated June 27, 1996, with respect to the consolidated financial statements of Paychex, Inc. incorporated by reference in its Annual Report (Form 10-K) for the year ended May 31, 1996, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

March 25, 1997

EXHIBIT 23.2

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated April 16, 1996, accompanying the combined financial statements of National Business Solutions, Inc. and Affiliates appearing in the Paychex, Inc. Form 8-K dated June 25, 1996 (filed on July 9, 1996) which are incorporated by reference in this Registration Statement. We consent to the incorporation by reference in the Registration Statement of the aforementioned report and to the use of our name as it appears under the caption "Experts".

Tampa, Florida
March 26, 1997

/s/ Grant Thornton LLP