As filed with the Securities and Exchange Commission on May 22, 1997

Registration No. 333-15105

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

POST-EFFECTIVE 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
Vice President of Finance
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:

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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 X

<TABLE>
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CALCULATION OF REGISTRATION FEE

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)	Amount of registration fee
Common Stock, $.01 par value	1,579,908	$ 37.667	$59,509,868	$ 20,519

</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 on the Nasdaq National Market on October 23, 1996.

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

1,579,908 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 1,579,908 shares (the "Shares") of the Common Stock $.01 par value ("Common Stock") of Paychex, Inc. ("Paychex" or the "Company"). Since November 7, 1996, the date on which the registration statement of which this Prospectus is part became effective, the number of shares sold is 131,871 and 1,448,037 shares remain to be sold. See "SELLING STOCKHOLDERS."

The Shares were originally issued by Paychex as part of the consideration in certain acquisition transactions. 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 May 21, 1997, the last reported sale price of a share of Paychex common stock was $55.

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 May ___, 1997.

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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, January 7, 1997, and April 25, 1997, respectively.

5. The following financial statements of National Business Solutions, Inc. (NBS) incorporating herein by reference to Paychex current report on Form 8-K dated June 25, 1996.

    a. Audited Combined Statements of Earnings for years ended December 31, 1995, 1994 and 1993 (unaudited).

    b. Audited Combined Balance Sheets as of December 31, 1995 and 1994.

    c. Audited Combined Statements of Cash Flows for years ended December 31, 1995, 1994 and 1993 (unaudited).

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	1,579,908 shares of common stock are offered (of which 131,871 have been sold) by Selling Stockholders and none of the proceeds will be received by Paychex.
NASDAQ Symbol	PAYX
Common Stock Outstanding at February 28, 1997	108,468,014 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 including funds held for Taxpay and Direct Deposit services consist primarily of municipal securities issued by various agencies and short-term money market securities. 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.

The Company recently restated its financial statements to present funds received from its Taypay and Direct Deposit clients on the Company's balance sheets. (See Footnote A of the Consolidated Financial Statements of Paychex, Inc. and Subsidiaries.) As a result, a substantial portion of its assets consist of investment securities which could make it subject to the Investment Company Act of 1940. The Company does not believe it is an investment Company because it is primarily engaged in payroll and human resource service business. In the unlikely event that it was deemed an investment Company, Paychex believes it could restructure its investments to avoid such classification.

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 ("worksite 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.

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 250,000 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 65% 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 February 28, 1997, 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 February 28, 1997, PBS provided professional employer services to over 300 client worksite employer organizations with over 12,000 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	* Supervision of Job-specific activities of worksite employees * Assignment to, and ownership of, all intellectual property rights * Compliance with Code	* Implementation of policies and practices relating to the employer/employee relationship * Selection of fringe benefits, including

Unemployment Tax Act ("FUTA"), and state unemployment)
* Workers compensation compliance, procurement, management and reporting
* Employee benefit procurement, administration and payment
* Compliance with Immigration Reform and Control Act and Consumer Credit Protection Act, as well as monitoring changes in other government regulations governing the employer/employee relationship and updating the client when necessary

provisions regarding benefits discrimination
* Product liability
* 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

employee leave policies (other than as controlled by the Family and Medical Leave Act of 1993 or state law)
* Employer liability under workers compensation laws
* 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 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, PBS 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 East Coast 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. Six additional PEO units are located in Southern California and share space with the payroll branches in that area. 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 February 28, 1997 information with respect to the Shares that are beneficially owned by the persons listed below (the "Selling Stockholders").

In connection with its acquisition of National Business Solutions, Inc. on August 26, 1996 (see "RECENT DEVELOPMENTS"), Paychex issued 4,401,744 shares of its Common Stock to the four shareholders of that Company. They are the first four persons listed in the table below.

On September 29, 1995, the Payroll Company, Inc. a California payroll processor doing business as "Payday," merged into Paychex. The shareholders of Payday are Selling Stockholders numbered 5 and 6 below. Each of the shareholder-officers of Payday retired upon sale of their company and one donated Paychex shares to Jewish Community Endowment Fund of the Jewish Community Federation of San Francisco, The Peninsula, Marin and Sonoma Counties ("Jewish Community Endowment Fund"), selling Stockholder number 7 below.

The Payroll Service, Inc., an Illinois payroll processor, was acquired by Paychex on August 29, 1996, and remains a subsidiary. The sole shareholder of that company remains employed by it in a non-executive capacity. He is Selling Stockholder number 8 below.

Neither the Payday transaction nor the Payroll Service transaction was a material acquisition for Paychex and hence neither is reported in "RECENT DEVELOPMENTS".

Pursuant to the agreements whereby Paychex acquired the three companies referred to, 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 agreements contain mutual indemnification provisions covering this registration and offering. Paychex has agreed to pay filing fees, costs and expenses associated with the 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. Stuart G. Lasher (2) Chief Executive Officer/Treasurer PBS	1,834,121	1.70%	550,236	1,283,885	1.18%
2. Steven M. Esrick (3) President/Secretary PBS	1,834,121	1.70%	550,236	1,283,885	1.18%
3. Glenn H. Singer (4) Executive Vice President - Sales	510,103	*	153,031	357,072	*

PBS					
4. Robert P. Baerwalde, Jr. Vice President - MIS PBS	223,399	*	67,020	156,379	*
5. The Holdstein Revocable Trust (5) Former Payday Stockholder	213,306	*	193,649	19,657	*
6. The Guy R. Henshaw Trust (6) Former Payday Stockholder	41,688	*	35,136	6,552	*
7. Jewish Community Endowment Fund (San Francisco) Former Payday Stockholder Donee	5,766	*	5,766	-	-
8. Murray Bruskin (7) Former President Payroll Service	82,780	*	24,834	57,946	*

</TABLE>

(1) Represents ownership of the number of shares and percentage of shares outstanding as of February 28, 1997.

(2) Includes 1,827,371 shares owned by SGL Investments, Ltd. Partnership, of which Mr. Lasher is General Partner. SGL has sold 12,000 shares and Mr. Lasher has sold none prior to the date of this prospectus.

(3) Includes 1,826,621 shares owned by SME Holdings, Ltd. Partnership of which Mr. Esrick is General Partner. Neither SME nor Mr. Esrick has sold any shares prior to the date of this prospectus.

(4) Includes 508,454 shares owned by GHS Holdings Ltd. Partnership, of which Mr. Singer is General Partner. GHS has sold 60,000 shares and Mr. Singer has sold none prior to the date of this prospectus.

(5) The Holdstein Revocable Trust has sold 3,450 shares prior to the date of this prospectus.

(6) The Guy R. Henshaw Trust has sold 31,587 shares prior to the date of this prospectus.

(7) Mr. Bruskin has sold all of the shares offered by him prior to the date of this prospectus.

* Less than 1%.

Paychex has also filed with the Securities and Exchange Commission a Registration Statement on Form S-3 to register 176,816 shares of Paychex common stock to be offered by certain other selling stockholders to whom Paychex shares were issued when Paychex acquired their company, Olsen Computer Systems, Inc. on November 21, 1996. That Registration Statement is expected to become effective at the same time as the one of which this prospectus is part. No proceeds of that offering are to be received by Paychex.

DESCRIPTION OF PAYCHEX COMMON STOCK

Paychex Common Stock consists of 150,000,000 authorized shares with a par value of $.01 per share. On February 28, 1997, there were 108,468,014 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 170,469 shares of Paychex Common Stock and held options to purchase an additional 35,438 shares. A member of the firm also serves as a director of Paychex.

EXPERTS

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.

The 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.

CONSOLIDATED FINANCIAL STATEMENTS OF PAYCHEX, INC.
AND SUBSIDIARIES

The following consolidated financial statements reflect a business combination between Paychex and PBS which qualifies as a pooling of interests for accounting and financial reporting purposes. The consolidated financial statements give retroactive effect to the merger of Paychex and PBS which was consummated in August 26, 1996. 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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REPORT OF INDEPENDENT AUDITORS , ERNST & YOUNG LLP

Board of Directors
Paychex, Inc.

We have audited the accompanying consolidated balance sheets of Paychex, Inc. and subsidiaries as of May 31, 1996 and 1995 and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended May 31, 1996. These financial statements are the responsibility of the Company's management of Paychex, Inc. Our responsibility is to express an opinion on these 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 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, 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 except for Note D as to which the date is, April 10, 1997

/s/ Ernst & Young LLP

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

Year Ended May 31 (in thousands, except per share amounts)	1996	1995	1994
<S>	<C>	<C>	<C>
Payroll revenue	$ 309,517	$ 254,093	$ 215,663
PEO/HRS revenue	256,926	157,973	108,242
Total Revenue	566,443	412,066	323,905
PEO/HRS 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	$ .51	$ .38	$ .27
Cash Dividends Per Share	$ .17	$ .10	$ .07
Weighted Average Shares Outstanding	106,929	105,486	105,177

Note: Per share amounts and shares outstanding have been adjusted for three-for-two stock splits in May 1995, May 1996, and May 1997.

</TABLE>

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (RESTATED)

<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	2,180	778
	176,510	130,005
Electronic Network Services Investments	599,475	472,837
Total Current Assets	775,985	602,842
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	$ 831,585	$ 647,366

</TABLE>
CONSOLIDATED BALANCE SHEETS (RESTATED) (CONT'D)
<TABLE>
<CAPTION>

May 31, (In thousands, except share and per share amounts)	1996	1995
<S>	<C>	<C>
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
	35,986	31,309
Electronic Network Services client deposits	601,360	471,524
Total Current Liabilities	637,346	502,833
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	640,513	505,390
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	160,244	123,663
Total Stockholders' Equity	191,072	141,976
Total Liabilities and Stockholders' Equity	$ 831,585	$ 647,366

See Notes to Consolidated Financial Statements.
</TABLE>
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (RESTATED)
<TABLE>
<CAPTION>

(in thousands)	Common Stock Shares Issued	Common Stock Amount	Additional Capital	Retained Earnings	Total
<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 $606				(892)	(892)
Change in unrealized gains and losses on investments, net of income taxes of $1,370				1,954	1,954
Dividends paid				(10,531)	(10,531)

Net income				40,389	40,389
Balance at May 31, 1995	46,988	470	17,843	123,663	141,976
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 $1,631				(2,354)	(2,354)
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	$160,244	$191,072

See Notes to Consolidated Financial Statements.
</TABLE>
CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED)
<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	17,165	13,462	11,076
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	(2,696)	298	(866)
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	67,773	53,082	33,765
INVESTING ACTIVITIES			
Investment purchases of available-for-sale securities	(565,557)	(196,756)	(155,489)
Proceeds from sales of available-for-sale securities	479,087	110,427	88,827
Proceeds from maturities of available-for-sale securities	12,882	10,775	2,790
Net change in Electronic Network Services money market funds and other cash equivalents	(88,676)	(86,903)	(71,750)
Net increase in Electronic Network Services client deposits	129,836	130,597	128,704
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	(50,732)	(44,510)	(18,303)
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

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.

The Company collects and remits funds as part of its Electronic Network Services (ENS) products. In connection with Taypay, the automated tax payment and filing service provided by the Payroll Segment, the Company collects payroll taxes, files the applicable tax returns and pays taxes 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 ENS funds in various financial instruments, without significant concentration in any one issuer (see Note B). ENS funds and related liabilities are included in the Balance Sheet as current assets and current liabilities. Related income earned from these investments is included in revenue. The amount of ENS funds held may vary significantly during the year. Prior to 1997 the Company did not report these funds as assets and liabilities based on the Company's understanding of the nature of the funds and industry practices. The amount of funds held and their investment was disclosed in the notes to financial statements. Due to recent changes in case law, the Company now feels that these ENS funds and related liabilities should be reported as assets and liabilities on the Balance Sheet. Therefore, the Company has restated the previously reported financial statements to reflect this change. This restatement has no effect on previously reported net income or earnings per share.

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. (See Note B)

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 $892,000 (net of $606,000 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 ENS products.

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 and include the impact of a three-for-two stock split declared April 10, 1997. Common stock equivalents resulting from stock options have not been included as their impact is not material. (See Note D)

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 $.17 as compared to $.15 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

Investments consist of various government securities, investment grade municipal securities, and money market funds as follows:

<TABLE>
<CAPTION>

	1996		1995	
Type of Issue (in thousands)	Cost	Market Value	Cost	Market Value
<S>	<C>	<C>	<C>	<C>
Money Market Funds and Other Cash Equivalents	$ 344,503	$ 344,503	$ 255,827	$ 255,827
Securities -				
General Obligation Municipal Bonds	145,830	145,076	93,560	94,068
Pre-Refunded Municipal Bonds	130,192	129,639	129,104	130,316
Revenue Municipal Bonds	72,953	72,611	63,094	63,344
U.S. Treasury Bonds and Other	11,123	10,613	379	236
Total Securities	360,098	357,939	286,137	287,964
Total	$ 704,601	$ 702,442	$ 541,964	$ 543,791

Classification of Investments on Balance Sheets:	1996	1995
Investments	$ 102,967	$ 70,954
Electronic Network Services Investments	599,475	472,837
	$ 702,442	$ 543,791

</TABLE>

The Company is exposed to credit risks from the possible inability of the borrowers to meet the terms of their bonds. In addition, the Company is exposed to interest rate risk as interest rate volatility may cause fluctuations in the market value and earnings potential of 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.
Cost, unrealized gains and losses, and estimated fair value of securities at May 31, 1996 and 1995, were as follows:

<TABLE>
<CAPTION>

SECURITIES (in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
May 31, 1996	$ 360,098	$ 691	$ 2,850	$ 357,939
May 31, 1995	$ 286,137	$ 2,375	$ 548	$ 287,964

</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	$3,770	$ 299	$1,015
Gross realized losses	$1,074	$ 597	$ 149

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	$ 5,176	$ 5,226
1 to 3 Years	128,166	128,197
3 Year and Over	226,756	224,516
Total	$360,098	$357,939

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
	$ -	$ 523

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

Earnings per share, dividends per share, weighted average shares outstanding and all applicable footnotes have been adjusted to reflect the stock splits noted above and a three-for-two stock split declared April 10, 1997.

The Company reserved 2,812,500 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 2,313,762 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	2,604,405
Issued	804,600
Exercised	(354,649)
Canceled	(76,491)
Balance May 31, 1994	2,977,865
Issued	512,325
Exercised	(385,169)
Canceled	(100,611)
Balance May 31, 1995	3,004,410
Issued	744,837
Exercised	(720,027)
Canceled	(89,358)
Balance May 31, 1996	2,939,862
Exercisable May 31, 1996	1,257,926
Prices range from $1.99 to $12.15	

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	867	-
Total deferred tax assets	$4,271	$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	-	764

Total deferred tax liabilities	$2,507	$2,883
Net deferred tax assets	$1,764	$ 14
Classification of Net Deferred Tax Assets:		
Current Assets	$2,180	$ 778
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

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 $19.07 and not sold prior to September 29, 2000, will appreciate by a minimum of 20% to $22.87 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 $29.33 (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 746,850 shares (497,900 shares prior to the May, 1997 split) 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 260,700 unregistered shares (173,800 shares prior to the May, 1997 split) 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 4,401,744 shares (2,934,496 shares prior to the May, 1997 split) of Paychex common stock, valued at $140,000,000. The transaction was accounted for as a pooling of interests. Information included in these financial statements has 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	$ 566,443	$ 412,066	$ 323,905
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	$ 55,035	$ 40,389	$ 28,746
EARNINGS PER SHARE	$ .51	$ .38	$ .27

</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) <S>	1996 <C>	1995 <C>	1994 <C>
Revenue			
Payroll	$ 309,517	$ 254,093	$ 215,663
PEO/HRS	256,926	157,973	108,242
Total Revenue	566,443	412,066	323,905
PEO/HRS Direct Costs	233,135	139,953	96,952
Revenue, Less PEO/HRS Direct Costs	333,308	272,113	226,953
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	$ 818,745	$ 639,201	$ 469,730
PEO/HRS	12,840	8,165	5,056
Total Identifiable Assets	$ 831,585	$ 647,366	$ 474,786
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>

SELECTED FINANCIAL DATA
- ----------------------

<TABLE>
<CAPTION>

May 31
(dollars in thousands, except per share amounts)

Operating Data	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	$566,443	$412,066	$323,905	$252,138	$183,680
Direct costs	233,135	139,953	96,952	60,434	21,775
Operating costs	101,235	81,663	70,034	61,877	53,700
Selling, general & administrative expenses	162,151	138,186	119,477	102,893	89,393
Operating income	69,922	52,264	37,442	26,934	18,812
Percent of revenue	12.3	12.7	11.6	10.7	10.2
Investment income net of interest expense	5,467	3,458	2,220	1,379	821
Income before income taxes	75,389	55,722	39,662	28,313	19,633
Percent of revenue	13.3	13.5	12.2	11.2	10.7
Net income	55,035	40,389	28,746	20,241	13,788
Percent of revenue	9.7	9.8	8.9	8.0	7.5
Total assets	831,585	647,366	474,786	322,214	221,771
Long-term debt (including current portion)	0	728	948	1,634	2,024
Net income per share	.51	.38	.27	.19	.13
Cash dividends per share	.17	.10	.07	.04	.03

Note: Per share amounts and average shares have been adjusted for three-for-two stock splits in May 1992, August 1993, May 1995, May 1996 and May 1997.
Note: The Selected Financial Data presented above has been restated to reflect the change in reporting as explained in Note A of the Consolidated Financial Statements.

</TABLE>

SUPPLEMENTARY FINANCIAL INFORMATION
- ----------------------------------

<TABLE>
<CAPTION>

(in thousands, except per share amounts)	Aug. 31	Nov. 30	Feb. 29	May 31	Year
<S>	<C>	<C>	<C>	<C>	<C>
1996					
Revenue	$123,487	$129,911	$153,475	$159,570	$566,443
Direct costs	45,628	49,832	66,310	71,365	233,135
Operating income	16,283	17,080	17,108	19,451	69,922
Net income	12,781	13,475	13,789	14,990	55,035
Net income per share	.12	.12	.13	.14	.51
	Aug. 31	Nov. 30	Feb. 28	May 31	Year
1995					
Revenue	$ 91,827	$ 96,228	$108,996	$115,015	$412,066
Direct Costs	27,990	31,427	38,946	41,590	139,953
Operating income	13,090	13,096	12,429	13,649	52,264
Net income	9,753	9,827	9,818	10,991	40,389
Net income per share	.09	.10	.09	.10	.38

</TABLE>

Note: Per share amounts have been adjusted for three-for-two stock splits in May 1995, May 1996 and May 1997.

PAYCHEX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

ASSETS	February 28, 1997 (UNAUDITED)	May 31, 1996
	(in thousands)	
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents	$ 47,097	$ 19,999
Investments	128,888	102,967
Interest receivable	8,532	7,385
Trade accounts receivable	42,076	42,076
Prepaid expenses and other current assets	3,052	1,903
Deferred income taxes	3,283	2,180
	232,928	176,510
Electronic Network Services Investments	945,329	599,475
Total Current Assets	1,178,257	775,985
Property and Equipment		
Land and improvements	2,787	2,787
Buildings	24,645	24,145
Data processing equipment	48,315	43,439
Furniture, fixtures and equipment	42,774	37,921
Leasehold improvements	3,429	2,718
	121,950	111,010
Less allowance for depreciation and amortization	68,468	60,355
Net Property and Equipment	53,482	50,655
Other Assets	6,844	4,945
Total Assets	$1,238,583	$ 831,585

</TABLE>

PAYCHEX, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONT'D)

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	February 28, 1997 (UNAUDITED)	May 31, 1996
	(in thousands)	
<S>	<C>	<C>
Current Liabilities		
Trade accounts payable	$ 3,821	$ 4,183
Accrued compensation and related items	27,669	19,120
Reserve for workers compensation	2,014	1,235
Accrued income taxes	4,854	573
Other accrued expenses	9,929	5,941
Deferred revenue	4,836	4,934
	53,123	35,986
Electronic Network Services client deposits	943,451	601,360
Total Current Liabilities	996,574	637,346
Other Liabilities		
Deferred income taxes	141	416
Reserve for workers compensation	865	865
Customer deposits	1,519	1,038
Other long-term liabilities	1,253	848
Total Liabilities	1,000,352	640,513
Stockholders' Equity		
Common Stock $.01 par value, authorized 150,000,000 shares: Issued 108,468,014 at February 28, 1997 and 71,632,456 at May 31, 1996	1,085	716
Additional Capital	37,313	30,112
Retained Earnings	199,833	160,244
Total Stockholders' Equity	238,231	191,072
Total Liabilities and Stockholders' Equity	$1,238,583	$ 831,585

</TABLE>

See Notes to Consolidated Financial Statements.

PAYCHEX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended February 28, 1997	Three Months Ended February 29, 1996	Nine Months Ended February 28, 1997	Nine Months Ended February 29, 1996
Payroll revenue	$ 97,934	$ 80,715	$269,945	$228,339
PEO/HRS revenue	97,628	72,760	261,158	178,534
Total Revenue	$195,562	$153,475	$531,103	$406,873
PEO/HRS direct costs	89,208	66,310	238,210	161,770
Operating expenses	30,233	26,835	84,856	75,010
Selling, general & administrative expenses	51,099	43,222	137,569	119,622
Operating Income	25,022	17,108	70,468	50,471
Other income	1,764	1,447	4,994	4,298
Income Before Income Taxes	26,786	18,555	75,462	54,769
Income Taxes	7,500	4,766	21,035	14,724
Net Income	$ 19,286	$ 13,789	$ 54,427	$ 40,045
Earnings Per Share	$ .18 *	$ .13 *	$ .51 *	$ .37 *
Cash Dividends Per Share	$ .06 *	$ .04 *	$ .16 *	$ .11 *
Weighted Average Shares Outstanding	108,346 *	107,091 *	107,853 *	106,809 *

* Adjusted for three-for-two stock splits in May, 1997 and May, 1996.
See Notes to Consolidated Financial Statements.

PAYCHEX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)	Common Stock Shares Issued	Common Stock Amount	Additional Capital	Retained Earnings	Total
Balance at May 31, 1995	46,988	$ 470	$ 17,843	$123,663	$141,976
Exercise of stock options	217	2	1,995		1,997
Tax benefit from stock option transactions			14		14
Shares issued in connection with the merger of Pay-Fone Systems, Inc.	332	3	2,921	1,866	4,790
Shares issued in connction with the merger of The Payroll Company, Inc. (d/b/a Payday)	116	1	3,851		3,852
Change in unrealized gains and losses on investments, net of income taxes of $463				688	688
Dividends paid				(11,418)	(11,418)
Net income				40,045	40,045
Balance at February 29, 1996	47,653	$ 476	$ 26,624	$154,844	$181,944
Balance at May 31, 1996	71,632	$ 716	$ 30,112	$160,244	$191,072
Exercise of stock options	347	4	1,782		1,786

Tax benefit from stock option transactions			5,382		5,382
Shares issued in connection with three-for-two stock split (April 1997)	35,815	358		(358)	-
Shares issued in connection with the merger of The Payroll Service, Inc.	83	1		(168)	(167)
Shares issued in connction with the merger of Olsen Computer, Inc.	591	6	37	370	413
Change in unrealized gains and losses on investments, net of income taxes of $1,995				2,925	2,925
Dividends paid				(17,607)	(17,607)
Net income				54,427	54,427
Balance at February 28, 1997	108,468	$1,085	$ 37,313	$199,833	$238,231

</TABLE>

PAYCHEX, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended	
	February 28, 1997	February 29, 1996
	(in thousands)	
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$ 54,427	$ 40,045
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	13,673	12,762
Net change in deferred income taxes	(3,372)	(1,438)
Provision for bad debts	1,186	657
Net realized gain on sales of available-for-sale securities	(191)	(2,624)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,187)	(232)
Accrued interest receivable	(1,147)	280
Prepaid expenses and other current assets	(1,148)	(737)
Trade accounts payable and other current liabilities	16,455	9,007
Deferred revenue	(98)	2,397
Reserve for workers compensation	778	2,022
Customer deposits	481	254
Net Cash Provided by Operating Activities	79,857	62,393
INVESTING ACTIVITIES		
Investment purchases of available-for-sale securities	(249,953)	(432,963)
Proceeds from sales of available-for-sale securities	152,909	335,814
Proceeds from maturities of available-for-sale securities	2,125	9,682
Net change in Electronic Network Services money market funds and other cash equivalents	(274,759)	(117,735)
Net change in Electronic Network Services client deposits	342,091	180,271
Additions to property and equipment, net of disposals	(13,219)	(14,183)
Net change in other assets	(2,167)	(618)
Net Cash Used in Investing Activities	(42,973)	(39,732)
FINANCING ACTIVITIES		
Payments on long-term debt	-0-	(728)
Proceeds and tax benefit from exercise of stock options	7,415	1,973
Dividends paid	(17,607)	(11,418)
Other	406	1
Net Cash Used in Financing Activities	(9,786)	(10,172)
INCREASE IN CASH AND CASH EQUIVALENTS	27,098	12,489
Cash & Cash Equivalents, Beginning of Period	19,999	14,812
Cash obtained through acquisitions	-0-	812
Cash & Cash Equivalents, End of Period	$ 47,097	$ 28,113

</TABLE>

See Notes to Financial Statements

PAYCHEX, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FEBRUARY 28, 1997

A) The accompanying unaudited consolidated financial statements of Paychex, Inc. and its wholly-owned subsidiaries have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the information furnished herein reflects all adjustments (consisting of normal, recurring accruals) which are necessary for a fair presentation of the results for the interim period. Operating results for the three and nine-month periods ended February 28, 1997 are not necessarily indicative of the results that may be expected for the year ended May 31, 1997. The accompanying financial statements should be read in conjunction with financial statements and footnotes presented in the Company's Form 10-K and Annual Report for the year ended May 31, 1996.

B) Based upon the Company's review of the legal rights and obligations related to funds generated from Electronic Network Services' (ENS) taxpay and direct deposit products, these funds and related liabilities are included in the Balance Sheet as current assets and current liabilities.

C) All of the financial information contained herein has been restated to reflect a three-for-two stock split declared April 10, 1997. Financial information also includes the impact of the August, 1996 merger of Paychex and National Business Solutions, Inc., as well as the formation of the PEO/Human Resource Services business segment in the third quarter of fiscal 1997.

D) During the nine-month period ending February 28, 1997, 347,262 shares of stock were issued upon exercise of stock options.

In addition, the Company granted stock options for approximately 1,189,500 shares, including approximately 921,000 shares related to a broad based stock option plan for it's employees.

E) 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 4,401,744 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.

PBS 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.

F) On August 29, 1996, the Company acquired all of the outstanding stock of the Payroll Service, Inc., in exchange for approximately 82,500 shares of Paychex Common Stock in a business combination accounted for as a pooling of interests. Results of operations prior to the merger have not been restated as the effects would be immaterial.

G) On November 21, 1996, the Company acquired all of the outstanding stock of Olsen Computer Systems, Inc., now Paychex Computer Systems, Inc., in exchange for approximately 589,500 shares of Paychex Common Stock in a business combination accounted for as a pooling of interests. Results of operations prior to the merger have not been restated as the effects would be immaterial.

H) Certain amounts from the prior year are reclassified to conform to fiscal 1997 presentations.

I) 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>

	Three Months Ended	Nine Months Ended

	February 28, 1997	February 29, 1996	February 28, 1997	February 29, 1996
	----	----	----	----
	(in thousands)			
<S>	<C>	<C>	<C>	<C>
Revenue				
Payroll	$ 97,934	$ 80,715	$269,945	$228,339
PEO/HRS	97,628	72,760	261,158	178,534
Total Revenue	195,562	153,475	531,103	406,873
PEO/HRS Direct Costs	89,208	66,310	238,210	161,770
Revenue, Less PEO/HRS Direct Costs	106,354	87,165	292,893	245,103
Operating Costs				
Payroll	27,228	24,851	77,353	69,467
PEO/HRS	3,005	1,984	7,503	5,543
Total Operating Costs	30,233	26,835	84,856	75,010
Selling, General and Admin				
Payroll	44,821	38,577	121,449	105,541
PEO/HRS	4,488	3,679	11,137	10,439
Total Selling, General and Admin	49,309	42,256	132,586	115,980
Operating Income				
Payroll	25,885	17,287	71,143	53,331
PEO/HRS	927	787	4,308	782
Total Operating Income	26,812	18,074	75,451	54,113
General Corporate Expenses	1,790	966	4,983	3,642
Other Income - Net	1,764	1,447	4,994	4,298
Income Before Taxes	$ 26,786	$ 18,555	$ 75,462	$ 54,769

</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	$ 20,519
Attorney's fees	$ 15,000
Accountant's fees	$ 17,000
Printing fees	$ 20
Total estimate	$ 52,539

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

2 Agreement and Plan of Merger, dated as of June 25, 1996, by and among Paychex, Inc., Paychex Merger Corp., National Business Solutions, Inc., Stuart G. Lasher, Steven M. Esrick,

Glenn H. Singer and Robert P. Baerwalde, Jr. incorporated herein by reference to the Registrant's Form 8-K filed on June 25, 1996.

23.1	Consent of Ernst & Young LLP
23.2	Consent of Grant Thornton LLP
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 1993 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 Post-Effective Amendment No. 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 May 22, 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	May 22, 1997
/s/John M. Morphy John M. Morphy	Vice President, Chief Financial Officer and Secretary	May 22, 1997
* Donald W. Brinckman	Director	May 22, 1997
* Steven D. Brooks	Director	May 22, 1997
* G. Thomas Clark	Director	May 22, 1997
* Phillip Horsley	Director	May 22, 1997
* Grant M. Inman	Director	May 22, 1997
* Harry P. Messina, Jr.	Director	May 22, 1997
* J. Robert Sebo	Director	May 22, 1997

*By: /s/John M. Morphy

John M. Morphy, as Attorney-in-Fact

EXHIBIT 5.1

WOODS, OVIATT, GILMAN, STURMAN AND CLARK LLP
44 Exchange St.
Rochester, NY 14614

May 22, 1997

Paychex, Inc.
911 Panorama Trail South
Rochester, NY 14625

RE: Paychex, Inc.
Registration Statement on Post-Effective Amendment #1 to Form S-3
(File Number 333-15105)

Gentlemen:

We are acting as counsel for Paychex, Inc. (the "Company"), a Delaware corporation, in connection with the proposed public offering ("Public Offering") by certain stockholders ("Selling Stockholders") of 1,579,908 of the $.01 par value common stock of the Company, covered by the above captioned registration statement (the "Registration Statement").

We are familiar with the Certificate of Incorporation of the Company, as amended, the by-laws of the Company and the corporate proceedings taken to authorize the issuance of the aforesaid shares of common stock to the Selling Stockholders.

Based upon the foregoing, we are of the opinion that:

1. The Company has been duly organized and is validly existing as a corporation under the laws of the State of Delaware.

2. All necessary action had been taken by the Board of Directors of the Company to authorize the issuance of the shares of common stock being sold by the Selling Stockholders in the Public Offering.

3. When certificates for the shares of common stock being sold by the Selling Stockholders in the Public Offering were delivered in accordance with the terms of the merger of Paychex Merger Corp. merged with and into National Business Solutions, Inc., such shares of common stock were legally issued, fully paid and non-assessable.

We hereby consent to the filing of this opinion as as exhibit to the Registration Statement and the reference made under the heading "Legal Matters" constituting a part of the Registration Statement.

Very truly yours,

WOODS, OVIATT, GILMAN, STURMAN & CLARKE LLP

/s/ Harry P. Messina, Jr.

Harry P. Messina, Jr.

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 (except Note D, as to which the date is April 10, 1997) in Post-Effective Amendment No. 1 to the Registration Statement (Form S-3 No. 333-15105) and related Prospectus of Paychex, Inc. for the registration of 1,579,908 shares of its common stock. Our report on the financial statements incorporated by reference into Paychex, Inc.'s Annual Report (Form 10-K) is no longer applicable as the financial statements incorporated by reference is that Form 10-K have been superseded as a result of a business combination accounted for as a pooling of interests, which was consummated after the balance sheet date. Pursuant to Rule 412 of Regulation C, because such financial statements have been superseded they are not deemed in their unmodified form to constitute part of the Registration Statement.

/s/ Ernst & Young LLP

May 21, 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 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
May 21, 1997

/s/ Grant Thornton LLP