FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended February 28, 1998

OR

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

For the transition period from ________________ to ________________

Commission file number 0-11330

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 14625-0397
(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code) (716)385-6666

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x . NO .

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 Par Value	108,775,265 Shares
CLASS	OUTSTANDING AT MARCH 31, 1998

PAYCHEX, INC.

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PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands except share amounts)

ASSETS	February 28, 1998 (UNAUDITED)	May 31, 1997 (AUDITED)
Current assets:		
Cash and cash equivalents	$ 19,072	$ 50,213
Investments	216,727	132,780
Interest receivable	11,514	10,462
Accounts receivable	51,293	45,527
Deferred income taxes	2,098	2,560
Prepaid expenses and other current assets	4,976	2,486
Current assets before ENS investments	305,680	244,028
Electronic Network Services investments (A)	1,357,695	896,633
Total current assets	1,663,375	1,140,661
Property and equipment - net	63,095	54,178
Deferred income taxes	581	72
Other assets	6,095	6,412
Total assets	$1,733,146	$1,201,323
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,787	$ 5,649
Accrued compensation and related items	31,291	26,969
Deferred revenue	5,861	4,335
Reserve for workers' compensation	2,534	1,813
Accrued income taxes	8,132	1,774
Other current liabilities	11,585	9,427
Current liabilities before ENS client deposits	64,190	49,967
Electronic Network Services client deposits (A)	1,352,712	896,080
Total current liabilities	1,416,902	946,047
Other liabilities:		
Reserve for workers' compensation	1,124	928
Other long-term liabilities	3,941	2,806
Total liabilities	1,421,967	949,781
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 300,000,000 shares; Issued: 108,745,068 and 108,518,831, respectively	1,087	1,085
Additional paid-in capital	45,200	37,531
Retained earnings	264,892	212,926
Total stockholders' equity	311,179	251,542
Total liabilities and stockholders' equity	$1,733,146	$1,201,323

See notes to consolidated financial statements.
(A) Electronic Network Services (ENS) investments and related client deposits result from the collection of funds for Taxpay and Direct Deposit products.

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

	For the three months ended February 28, 1998	1997	For the nine months ended February 28, 1998	1997
Service revenues:				
Payroll	$122,239	$ 97,934	$335,632	$269,945
HRS-PEO	9,634	8,420	26,361	22,948
Total service revenues	131,873	106,354	361,993	292,893
PEO direct costs billed (A)	139,482	89,208	363,166	238,210
Total revenue	271,355	195,562	725,159	531,103

PEO direct costs (A)	139,482	89,208	363,166	238,210
Operating costs	35,347	30,233	97,544	84,856
Selling, general and administrative expenses	61,674	51,099	166,668	137,569
Operating income	34,852	25,022	97,781	70,468
Investment income	2,349	1,764	6,828	4,994
Income before income taxes	37,201	26,786	104,609	75,462
Income taxes	10,825	7,500	30,441	21,035
Net income	$ 26,376	$ 19,286	$ 74,168	$ 54,427
Earnings per share	$ .24	$ .18	$ .68	$ .50
Diluted earnings per share	$ .24	$ .18	$ .68	$ .50
Cash dividends per share	$ .09	$ .06	$ .24	$ .16
Weighted-average shares outstanding	108,719	108,346	108,639	107,853
Weighted-average shares assuming dilution	109,994	109,489	109,762	109,071

See notes to consolidated financial statements.
(A) Wages and payroll taxes of PEO worksite employees and their related benefit premiums and claims.

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

For the nine months ended February 28,	1998	1997
OPERATING ACTIVITIES:		
Net income	$ 74,168	$ 54,427
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization on depreciable and intangible assets	13,646	10,660
Amortization of premiums and discounts on securities	6,013	3,013
Net change in provision for deferred income taxes	(2,256)	(3,372)
Provision for bad debts	1,523	1,186
Net realized gains on sales of available-for-sale securities	(414)	(191)
Changes in operating assets and liabilities:		
Interest receivable	(1,052)	(1,147)
Accounts receivable	(7,289)	(1,187)
Prepaid expenses and other current assets	(2,490)	(1,148)
Accounts payable and other current liabilities	14,223	17,137
Net change in other assets and liabilities	1,237	479
Net cash provided by operating activities	97,309	79,857
INVESTING ACTIVITIES:		
Investment purchases of available-for-sale securities	(315,672)	(249,953)
Proceeds from sales of available-for-sale securities	134,060	152,909
Proceeds from maturities of available-for-sale securities	4,914	2,125
Net change in Electronic Network Services money market funds and other cash equivalents	(367,796)	(274,759)
Net change in Electronic Network Services client deposits	456,632	342,091
Additions to property and equipment, net of disposals	(21,764)	(13,219)
Purchases of other assets	(388)	(2,167)
Net cash used in investing activities	(110,014)	(42,973)
FINANCING ACTIVITIES:		
Proceeds and tax benefit from exercise of stock options	7,671	7,415
Dividends paid	(26,081)	(17,607)
Payment in lieu of issuance of fractional shares	(26)	-
Other	-	406
Net cash used in financing activities	(18,436)	(9,786)

Increase (decrease) in cash and cash equivalents	(31,141)	27,098
Cash and cash equivalents, beginning of period	50,213	19,999
Cash and cash equivalents, end of period	$ 19,072	$ 47,097

See notes to consolidated financial statements.

PAYCHEX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FEBRUARY 28, 1998

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 items of a normal recurring nature) which are necessary for a fair presentation of the results for the interim periods. Operating results for the three months and nine months ended February 28, 1998, are not necessarily indicative of the results that may be expected for the year ended May 31, 1998. There is no significant seasonality to the Company's business, except that over 30% of new Payroll segment clients added in each of the last three fiscal years have been added during the third fiscal quarter. Consequently, greater sales commissions are earned in that quarter, resulting in higher selling expenses for the third quarter. The accompanying financial statements should be read in conjunction with the financial statements and footnotes presented in the Company's Form 10-K and Annual Report for the year ended May 31, 1997.

B) Earnings per share, diluted earnings per share, cash dividends per share, weighted-average shares outstanding, weighted-average shares assuming dilution and all other applicable information for the three months and nine months ended February 28, 1997, have been adjusted to reflect a three-for-two stock split effected in the form of 50% stock dividends to holders of record on May 8, 1997, and distributed on May 29, 1997.

C) Effective for the three months ended February 28, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share". All earnings per share information has been restated to conform with this SFAS. In accordance with this SFAS, the Company's earnings per share is determined by dividing net income for the period by the weighted-average common shares outstanding for that period. The Company's diluted earnings per share is determined by dividing net income for the period by the sum of the weighted-average common shares outstanding plus the assumed exercise of dilutive stock options for that period, as determined under the treasury stock method. For the three and nine months ended February 28, 1998, stock options were exercised for 51,392 and 226,777 shares of the Company's common stock, respectively.

D) Recently issued accounting standards: In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as "the change in equity of a company during a period from transactions and other events and circumstances from non-owner sources." It includes all changes in equity during the period except those resulting from investments by owners and distributions to owners. The Company's management believes that adoption of this SFAS will not have an effect on the Company's future results of operations or financial position.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of An Enterprise and Related Information," which is effective for fiscal years beginning after December 15, 1997. SFAS No. 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company's management has not yet completed its review of this SFAS.

In March 1998, the Accounting Standards Executive Committee issued Statement of Position (SOP) 98-1, "Accounting for Computer Software Developed For or Obtained For Internal-Use", which is effective for fiscal years beginning after December 15, 1998. The SOP requires preliminary stage project costs to be expensed as incurred. Once a project is in the application development stage, the SOP requires all external direct costs for materials and services and payroll and related fringe benefit costs to be capitalized, and subsequently amortized over the estimated useful life of the project. Currently, the Company incurs certain costs to enhance its computer programs and all such costs are expensed as incurred. In addition, expenditures for major software purchases from external sources are capitalized and amortized by the straight-line method over their estimated useful lives. The Company's management has not yet assessed what the impact of the SOP will be on the Company's future results of operations or financial position.

E) Certain amounts from the prior year are reclassified to conform to fiscal 1998 presentations.

F) Property and equipment - net:

(In thousands)	February 28, 1998 (UNAUDITED)	May 31, 1997 (AUDITED)
Land and improvements	$ 2,815	$ 2,789
Buildings and improvements	24,739	24,672
Data processing equipment and software	61,555	50,973
Furniture, fixtures and equipment	51,124	44,251
Leasehold improvements	6,272	3,582
	146,505	126,267
Less accumulated depreciation and amortization	83,410	72,089
	$ 63,095	$ 54,178

H) Segment financial information: The Company operates in two business segments: Payroll and Human Resource Services-Professional Employer Organization (HRS-PEO). The Payroll segment is engaged in the preparation of payroll checks, internal accounting records, all Federal, state and local payroll tax returns, and collection and remittance of payroll obligations for small- to medium-sized businesses. The HRS-PEO segment specializes in providing small- and medium-sized businesses with cost-effective outsourcing solutions for their employee benefits. HRS-PEO products include 401(k) plan recordkeeping services, group benefits and workers' compensation insurance services, section 125 plans, employee handbooks and management services. As an outsourcing solution, HRS-PEO relieves the business owner of human resource administration, employment regulatory compliance, workers' compensation coverage, health care and other employee related responsibilities. Consistent with PEO industry practice, HRS-PEO revenue includes all amounts billed to clients for the services provided.

(In thousands and unaudited)

	For the three months ended February 28, 1998	1997	For the nine months ended February 28, 1998	1997
Total revenue:				
Payroll	$122,239	$ 97,934	$335,632	$269,945
HRS-PEO revenue:				
Service revenue	9,634	8,420	26,361	22,948
PEO direct costs billed (A)	139,482	89,208	363,166	238,210
Total HRS-PEO revenue	149,116	97,628	389,527	261,158
Total revenue	271,355	195,562	725,159	531,103
PEO direct costs (A)	139,482	89,208	363,166	238,210
Total revenue less PEO direct costs	131,873	106,354	361,993	292,893
Operating costs:				
Payroll	33,105	27,228	90,943	77,353
HRS-PEO	2,242	3,005	6,601	7,503
Total operating costs	35,347	30,233	97,544	84,856
Selling, general and administrative expenses:				
Payroll	53,051	44,821	145,727	121,449
HRS-PEO	7,219	4,488	17,859	11,137
Total selling, general and administrative expenses	60,270	49,309	163,586	132,586
Operating income:				
Payroll	36,083	25,885	98,962	71,143
HRS-PEO	173	927	1,901	4,308
Total operating income	36,256	26,812	100,863	75,451
General corporate expenses	1,404	1,790	3,082	4,983
Investment income	2,349	1,764	6,828	4,994
Income before income taxes	$ 37,201	$ 26,786	$104,609	$ 75,462

(A) Wages and payroll taxes of PEO worksite employees and their related benefit premiums and claims.

Item 2. Management's Discussion and Analysis of

Financial Condition and Results of Operations

Management's discussion and analysis reviews the Company's operating results for the three months and nine months ended February 28, 1998 and 1997, and its financial condition at February 28, 1998. The focus of this review is on the underlying business reasons for significant changes and trends affecting revenues, net income and financial condition. This review should be read in conjunction with the February 28, 1998 consolidated financial statements, and the related notes to consolidated financial statements contained in this Form 10-Q. Forward-looking statements in this management's discussion and analysis are qualified by the cautionary statement at the end of this discussion.

RESULTS OF CONSOLIDATED OPERATIONS
(In thousands except per share amounts)

For the three months ended February 28,	1998	Change	1997
Service revenues	$131,873	+24.0%	$106,354
Total revenue	$271,355	+38.8%	$195,562
Operating income	$ 34,852	+39.3%	$ 25,022
Net income	$ 26,376	+36.8%	$ 19,286
Diluted earnings per share	$ .24	+33.3%	$ .18

For the nine months ended February 28,	1998	Change	1997
Service revenues	$361,993	+23.6%	$292,893
Total revenue	$725,159	+36.5%	$531,103
Operating income	$ 97,781	+38.8%	$ 70,468
Net income	$ 74,168	+36.3%	$ 54,427
Diluted earnings per share	$ .68	+36.0%	$ .50

The Company's record levels of service revenues, total revenue and net income resulted from continued growth in its client base, increased utilization of ancillary services, and decreased operating and selling, general and administrative expenses as a percent of service revenues and total revenue.

PAYROLL SEGMENT
(In thousands)

For the three months ended February 28,	1998	Change	1997
Payroll service revenue	$122,239	+24.8%	$ 97,934
Payroll operating income	$ 36,083	+39.4%	$ 25,885

For the nine months ended February 28,	1998	Change	1997
Payroll service revenue	$335,632	+24.3%	$269,945
Payroll operating income	$ 98,962	+39.1%	$ 71,143

Client statistics at February 28,	1998	Change	1997
Payroll clients	286.6	+11.9%	256.1
Taxpay clients	212.2	+25.6%	169.0
Direct Deposit clients	97.0	+37.8%	70.4
Check Signing clients	31.8	+23.3%	25.8

Revenues: Payroll, Taxpay, Direct Deposit and other payroll revenues include service fees and investment income. Investment income is earned during the period between collecting client funds and remitting the funds to the applicable tax authorities or client employees from Taxpay and Direct Deposit products. Client base gains continue to be the main reason for the increased Payroll segment revenues for the three months and nine months ended February 28, 1998.

Operating income: Operating income for the three months and nine months ended February 28, 1998, increased as a result of continued growth of the client base and utilization of ancillary services, plus continued leveraging of the segment's operating and selling, general and administrative expenses as percent of revenue. The segment's operating and selling, general and administrative expenses as a percent of revenue decreased to 70.5% for both the three months and nine months ended February 28, 1998, as compared to 73.6%, for same periods in the prior fiscal year.

Effective July 1, 1997, the Company complied with the Internal Revenue Service's Electronic Funds Transfer Payment Service by making client tax payments "good funds" one business day earlier. Therefore, revenue and operating income for the quarter was reduced by lower levels of tax-exempt municipal security investments. The Company offset these reductions by a modest price increase for its Taxpay services.

HRS-PEO SEGMENT
(In thousands)

For the three months ended February 28,	1998	Change	1997
HRS-PEO service revenue	$ 9,634	+14.4%	$ 8,420
PEO direct costs billed	139,482	+56.4%	89,208
	--------		--------
Total HRS-PEO revenue	149,116	+52.7%	97,628
PEO direct costs	139,482	+56.4%	89,208

HRS-PEO operating income	$ 173	-81.3%	$ 927

For the nine months ended February 28,	1998	Change	1997
HRS-PEO service revenue	$ 26,361	+14.9%	$ 22,948
PEO direct costs billed	363,166	+52.5%	238,210
Total HRS-PEO revenue	389,527	+49.2%	261,158
PEO direct costs	363,166	+52.5%	238,210
HRS-PEO operating income	$ 1,901	-55.9%	$ 4,308

Client statistics at February 28,	1998	Change	1997
401(k) clients	5.2	+100.0%	2.6
PEO worksite employees	18.2	+ 51.7%	12.0

Revenues: For the three and nine months ended February 28, 1998, the increase in HRS-PEO service revenue was due to gains in the number of 401(k) recordkeeping clients, section 125 cafeteria plan clients and PEO worksite employees, but was somewhat offset by decreased revenues from Handbook products. Fiscal 1998 revenues are expected to grow as the Company continues to increase 401(k) clients, section 125 cafeteria plan clients, PEO worksite employees and other HRS-PEO ancillary product sales.

Operating income: For the three and nine months ended February 28, 1998, the decrease in HRS-PEO operating income was primarily due to lower average selling prices for the Company's PEO products and continued investments for the Company's PEO operations and centralization activities. These factors were somewhat offset by strong sales growth of the Company's 401(k) recordkeeping services.

PEO direct costs billed and direct costs: Consistent with industry practices and generally accepted accounting principles, PEO revenues reported in the consolidated statements of income include the service fee, plus the direct costs billed to clients for the wages and payroll taxes of worksite employees, their related benefit premiums and claims and other direct costs. The Company continually manages the costs related to employee benefits, including workers' compensation liabilities. The Company records reserves for workers' compensation claims costs at the expected liability amount based on the estimated loss exposure considering the maximum potential exposure under the workers' compensation deductible insurance policies. At February 28, 1998, the recorded reserve is at the maximum exposure under these insurance policies. The increases in PEO direct costs billed and direct costs are reflective of the increases in the number of PEO worksite employees.

INVESTMENT INCOME
(In thousands)

For the three months ended February 28,	1998	Change	1997
Investment income	$2,349	+33.2%	$1,764

For the nine months ended February 28,	1998	Change	1997
Investment income	$6,828	+36.7%	$4,994

Investment income earned from the Company's Investments, which does not include the income earned from ENS investments, has grown primarily as a result of increases in investment balances generated from successive gains in operating cash flows. Investment income for fiscal 1998 is expected to grow as a result of increased net income and investment of subsequent operating cash flows, but will be impacted by typical changes in market rates of interest.

INCOME TAXES

The Company's effective tax rate for the three months ended February 28, 1998 and 1997 was 29.1% and 28.0%, respectively. The Company's effective tax rate for the nine months ended February 28, 1998 and 1997 was 29.1% and 27.9%, respectively. The effective tax rate for the three months and nine months ended February 28, 1998, was impacted by the reduction of investment income earned from lower levels of tax-exempt municipal securities and by the increase in taxable service fee revenue charged for the Company's Taxpay services. Fiscal 1998's effective tax rate is expected to approximate 29.1%.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated operating cash flows:
(In thousands)

For the nine months ended February 28,	1998	Change	1997
Operating cash flows	$97,309	+21.9%	$79,857

The increase in operating cash flows resulted primarily from the continued achievement of record net income for the nine months ended February 28, 1998. Projected operating cash flows are expected to be adequate to support normal business operations and continued growth, planned purchases of property and equipment and dividend payments. Furthermore, at February 28, 1998, the Company had $235.8 million in available cash and investments and $262.5 million of available, unsecured and unused lines of credit.

Investments and ENS investments: Investments and ENS investments consist of various government securities, investment grade municipal securities, money market funds and other cash equivalents that are available-for-sale. The Company is exposed to credit risk in connection with these investments through the possible inability of the borrowers to meet the terms of the bonds. The Company attempts to limit credit risk by investing primarily in AAA- and AA-rated securities, A-rated or better money market funds and by limiting amounts that can be invested in any single instrument. The Company invests in short- to intermediate-term securities as they are less sensitive to interest rate fluctuations. At February 28, 1998, the portfolio of securities had an average duration of 2.7 years. The Investments and ENS investments balances continue to increase from positive operating cash flows and increases in Taxpay and Direct Deposit client counts. In addition, the Company redirected over $25.0 million of excess available Corporate cash balances into municipal securities during the three months ended February 28, 1998, in order to increase the return earned on these available funds.

Purchases of property and equipment:
(In thousands)

For the nine months ended February 28,	1998	Change	1997
Purchases of property and equipment	$21,936	+60.0%	$13,745

Purchases of property and equipment for the nine months ended February 28, 1998 increased over 1997 as a result of additional data processing and personal computer equipment, workstations, and leasehold improvements at the Company's expanding branches. Purchases of property and equipment in fiscal 1998 are expected to range from $25 to $30 million.

Cash dividends:
(In thousands except per share amounts)

For the nine months ended February 28,	1998	Change	1997
Cash dividends	$26,081	+48.1%	$17,607
Cash dividends per share	$ .24	+50.0%	$ .16

On October 2, 1997, the Company's Board of Directors declared a 50% increase in the Company's quarterly dividend from $.06 per share to $.09 per share. On January 8, 1998, the Board established a policy of setting future dividend record dates on the 1st business day of February, May, August, and November with the dividend payable date on the 15th or first business day thereafter of the same month.

OTHER

Recently issued accounting standards: In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income is defined as "the change in equity of a company during a period from transactions and other events and circumstances from non-owner sources." It includes all changes in equity during the period except those resulting from investments by owners and distributions to owners. The Company's management believes that adoption of this SFAS will not have an effect on the Company's future results of operations or financial position.

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FORWARD-LOOKING CAUTIONARY STATEMENT

In an effort to give investors a well-rounded view of the Company's current condition and future opportunities, this Form 10-Q includes comments by the Company's management about future performance and results. Because they are forward-looking, these forecasts involve uncertainties. They include risks of general market conditions, including demand for the Company's products and services, competition and price levels; changes in the laws regulating collection and payment of payroll taxes, professional employer organizations, and employee benefits, including 401(k) plans, workers' compensation, and section 125 plans; delays in the development and marketing of new products and services; the possibility of catastrophic events that could impact the Company's operating facilities, computer technology and communication systems; changes in short- and long-term interest rates and the credit rating of municipal securities held in the Company's investment portfolios.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 27.1-3, "Financial Data Schedules" are filed electronically.

(b) Reports on Form 8-K: There were no reports filed on Form 8-K during the three month period ended February 28, 1998.

SIGNATURES

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

PAYCHEX, INC.

Date: April 7, 1998

/s/ B. Thomas Golisano

B. Thomas Golisano
Chairman, President and
Chief Executive Officer

Date: April 7, 1998

/s/ John M. Morphy

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUGUST 31, 1997 CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES TO CONSOLIDATED FOR FINANCIAL STATEMENTS OF PAYCHEX, INC., AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<EPS-DILUTED>	.21	.16

<FN>
<F1>SECURITIES - Includes amounts related to Electronic Network Services investments with a balance at August 31, 1997 and 1996 of $920,565 and $608,032, respectively.
</FN>

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<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUGUST 31, 1997 CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES TO CONSOLIDATED FOR FINANCIAL STATEMENTS OF PAYCHEX, INC., AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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<RESTATED>
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<NAME> PAYCHEX, INC.
<MULTIPLIER> 1,000

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<PERIOD-TYPE>	3-MOS	3-MOS
<FISCAL-YEAR-END>	MAY-31-1998	MAY-31-1997
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<PERIOD-END>	AUG-31-1997	AUG-31-1996
<CASH>	53,316	18,920
<SECURITIES>	1,066,627<F1>	729,240<F1>
<RECEIVABLES>	58,724	49,568
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<INVENTORY>	0	0
<CURRENT-ASSETS>	1,181,930	802,176
<PP&E>	131,509	113,789
<DEPRECIATION>	75,973	62,431
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<BONDS>	0	0
<PREFERRED-MANDATORY>	0	0
<PREFERRED>	0	0
<COMMON>	1,086	717
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<SALES>	0	0
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<CGS>	0	0
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<FN>
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<PERIOD-TYPE>	3-MOS	3-MOS
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<PERIOD-START>	JUN-01-1997	JUN-01-1996
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