

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

ANNUAL REPORT

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the calendar year ended December 31, 1997

A. Full title of the Plan

Paychex, Inc. 401(k)
Incentive Retirement Plan

B. Name and address of issuer of the securities held pursuant
to the Plan and the address of its principal executive office:

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

Financial Statements and Exhibits

Financial Statements	Page No.
Report of Independent Auditors	4
Statement of Net Assets Available for Benefits, with Fund Information - December 31, 1997	5
Statement of Net Assets Available for Benefits, with Fund Information - December 31, 1996	6
Statement of Changes in Net Assets Available for Benefits, with Fund Information, for the Year Ended December 31, 1997	7
Statement of Changes in Net Assets Available for Benefits, with Fund Information, for the Year Ended December 31, 1996	8
Notes to Financial Statements	9-13
Schedule of Assets Held for Investment Purposes - December 31, 1997	14
Schedule of Reportable Transactions - For the year ended December 31, 1997	15
Exhibits	
23.1 Consent of Ernst & Young LLP SIGNATURES	16

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan
Committee has caused this Annual Report to be signed by the undersigned
thereunto duly authorized.

Dated: June 25, 1998

PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN

By: /s/ Francis G. Provino

Francis G. Provino
401(k) COMMITTEE MEMBER

Ernst & Young

Report of Independent Auditors

The Plan Committee
Paychex, Inc. 401(k)
Incentive Retirement Plan

Rochester, New York

We have audited the accompanying statements of net assets available for benefits of Paychex, Inc. 401(k) Incentive Retirement Plan (the Plan) as of December 31, 1997 and 1996, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. 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 net assets available for benefits of the Plan at December 31, 1997 and 1996, and the changes in its net assets available for benefits for the years then ended, in conformity with generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets held for investment purposes as of December 31, 1997 and reportable transactions for the year then ended are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, and are not a required part of the financial statements. The Fund Information in the statement of net assets available for benefits and the statement of changes in net assets available for benefits is presented for purposes of additional analyses rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The supplemental schedules have been subjected to the auditing procedures applied in our audit of the 1997 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1997 financial statements taken as a whole.

April 15, 1998

/s/ Ernst & Young LLP

PAYCHEX, INC. 401(K) INCENTIVE RETIREMENT PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS,
WITH FUND INFORMATION
DECEMBER 31, 1997

<TABLE>
<CAPTION>

	Combined Funds	Paychex, Inc. Common Stock Fund	Growth and Income Fund	Equity Fund	Stable Value Fund	Inter- national Equity Fund
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<C>						
ASSETS						
Investments at market value:						
Common Stock of Paychex, Inc. - 2,073,754 Shares (Cost \$15,696,884)	\$104,983,796	\$104,983,796				
IVT Total Return Fund - 335,712 Shares (Cost \$7,681,585)	9,765,850		\$ 9,765,850			
Invesco Growth Fund - 2,409,455 Shares (Cost \$12,850,715)	11,950,895			\$ 11,950,895		
Invesco Stable Value Fund - 8,343,845 Shares (Cost \$8,343,845)	8,343,845				\$ 8,343,845	
Global Asset Management Fund - 114,131 Shares (Cost \$2,927,005)	3,251,581					\$ 3,251,581
Invesco Funds Group - IMF - Cash Reserves (Cost \$3,488,465)	3,488,465	3,488,465				

NET ASSETS AVAILABLE FOR BENEFITS	\$100,510,567	\$ 76,291,562	\$ 6,731,622	\$ 7,754,138	\$ 4,770,421	\$ 1,018,937
\$ 3,943,887						

See accompanying notes to financial statements.

PAYCHEX, INC. 401(K) INCENTIVE RETIREMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS,
WITH FUND INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1997

<TABLE>
<CAPTION>

	Combined	Paychex, Inc. Common Stock	Growth and Income	Equity	Stable Value	Inter- national Equity
Loan	Funds	Fund	Fund	Fund	Fund	Fund
Fund						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest and dividend income \$ 328,654	\$ 4,788,658	\$ 721,000	\$ 378,090	\$ 2,879,245	\$ 341,527	\$ 140,142
Net appreciation (depreciation) in fair market value of investments -	35,395,070	34,475,686	1,338,336	(737,202)	-	318,250
Contributions:						
Participants	9,385,043	6,236,857	855,142	1,351,156	455,924	485,964
Employer	2,936,872	1,985,332	264,705	413,421	163,904	109,510
328,654	52,505,643	43,418,875	2,836,273	3,906,620	961,355	1,053,866
Withdrawals by terminated participants	(6,630,008)	(4,562,619)	(698,662)	(475,619)	(703,057)	(190,051)
Transfers between funds 329,229	-	(6,675,557)	896,617	765,756	3,315,126	1,368,829
CHANGE IN NET ASSETS 657,883	45,875,635	32,180,699	3,034,228	4,196,757	3,573,424	2,232,644
Net assets available for benefits at beginning of year 3,943,887	100,510,567	76,291,562	6,731,622	7,754,138	4,770,421	1,018,937
NET ASSETS AVAILABLE FOR BENEFITS	\$146,386,202	\$108,472,261	\$ 9,765,850	\$11,950,895	\$ 8,343,845	\$ 3,251,581
\$ 4,601,770						

</TABLE>

See accompanying notes to financial statements.

<TABLE>
<CAPTION>

PAYCHEX, INC. 401(K) INCENTIVE RETIREMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS,
WITH FUND INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 1996

	Combined	Paychex, Inc. Common Stock	Growth and Income	Equity	Stable Value	Inter- national Equity
Loan	Funds	Fund	Fund	Fund	Fund	Fund
Fund						

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest and dividend income	\$ 2,213,420	\$ 436,130	\$ 252,674	\$ 997,995	\$ 272,664	\$ 4,726
\$ 249,231						
Net appreciation (depreciation)						
in fair market						
value of investments -	26,552,916	25,548,295	549,162	332,578	-	122,881
-						
Contributions:						
Participants	6,992,391	4,800,726	734,859	951,367	418,861	86,578
-						
Employer	2,393,697	1,626,893	247,861	319,456	174,691	24,796
-						
	38,152,424	32,412,044	1,784,556	2,601,396	866,216	238,981
249,231						
Withdrawals by terminated			-			
participants	(4,105,947)	(2,703,140)	(425,286)	(522,217)	(446,936)	(8,368)
Transfers between funds	-	203,740	(931,193)	(1,230,822)	414,503	788,324
755,448						
CHANGE IN NET ASSETS	34,046,477	29,912,644	428,077	848,357	833,783	1,018,937
1,004,679						
Net assets available for						
benefits at beginning of year	66,464,090	46,378,918	6,303,545	6,905,781	3,936,638	-
2,939,208						
NET ASSETS AVAILABLE FOR						
BENEFITS	\$100,510,567	\$ 76,291,562	\$ 6,731,622	\$ 7,754,138	\$ 4,770,421	\$ 1,018,937
\$ 3,943,887						

</TABLE>

See accompanying notes to financial statements.
PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE A. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Paychex, Inc. 401(k) Incentive Retirement Plan (the Plan) are prepared on the accrual basis in accordance with generally accepted accounting principles.

Administrative expenses of the Plan are paid by Paychex, Inc. (the "Company").

Investments in Paychex, Inc. Common Stock are carried at market value determined on the basis of quoted market (bid) price. The underlying investments of the mutual funds (excluding the Stable Value Fund) are valued at market, as reported by Invesco, based on the last reported sales price or bid price in the market where the investments are primarily traded or by a pricing service. The value of the Stable Value Fund is determined in the manner set forth above except that guaranteed income contracts, annuities, and other assets that provide for benefit payments or withdrawals on a contractual basis and with respect to which there is no active trading market are valued at their fair value as determined by Invesco, which in the case of such investments, is generally deemed to be at book value (cost plus accrued income). Short-term investments are valued at cost which approximates market value. Securities transactions are accounted for on the trade dates. Realized gains and losses from securities transactions are computed on the average cost basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of net assets available for benefits at the date of the financial statements, and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

NOTE B. PLAN DESCRIPTION AND BENEFITS

The plan provides for various investment options in any combination of Paychex, Inc. stock and various mutual funds. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it

is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially effect participants' account balances and the amounts reported in the statement of net assets available for benefits.

The Plan is a defined contribution plan established July 1, 1984. Company employees must be employed one year in which a minimum of 1,000 hours has been worked to be eligible for participation in the Plan. At the employee's option, contributions are invested in one or more of the following funds:

<TABLE>
<CAPTION>

	Number of Participants	
	December 31, 1997	December 31, 1996
<S>	<C>	<C>
Paychex, Inc. Common Stock Fund	3,026	2,797
Growth & Income Fund	1,477	1,235
Equity Fund	1,947	1,571
Stable Value Fund	1,116	1,006
International Equity Fund	766	277

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Employees may contribute up to 15% of their compensation to the Plan through payroll deductions, subject to the limit established by the Internal Revenue Code. Discretionary employer contributions are equal to 50% of the participants elective contribution, but not to exceed 3% of the participant's compensation. The Company may elect to make an additional discretionary contribution to the Plan, but has not done so for the years ended December 31, 1997 and 1996.

Each participant is fully vested as to their elective contributions and rollover contributions as well as any earnings or losses on them. Employees are fully vested with respect to Company matching contributions upon completion of three years of service. Any nonvested Company matching contributions existing at the time a participant withdraws from the Plan are forfeited and available to Paychex, Inc. to reduce future contributions.

Upon termination of the Plan, all participant's rights to accrued benefits are 100% nonforfeitable.

The Plan allows participants to borrow up to 50% of the vested balance from their account. Bi-weekly or weekly payroll deductions are required to repay the loan within five years. Loans used for the purchase of a principal residence are required to be repaid within ten years. The rate of interest is Prime plus 1% at the time the loan is disbursed.

The plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

The Plan is subject to the requirements of the Employee Retirement Income Security Act of 1974. A complete description of the Plan, including eligibility, contribution, investment, vesting and withdrawal provisions, is contained in the official plan document which governs the operation of the Plan.

The Plan Adoption Agreement was restated in 1996 to incorporate an amendment on eligibility. An employee will become a participant in the Plan on the first day of the month immediately following the completion of the service requirement.

NOTE C. TAX STATUS

The Plan is designed as a qualified plan under Section 401(a) and 401(k) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been made. The Company has received a favorable determination letter from the Internal Revenue Service regarding the qualification of the plan. Employer contributions and investment income of the Plan are not taxable to the participants until withdrawn or distributed. In addition, net unrealized appreciation on any shares of Paychex, Inc. common stock distributed to a participant upon termination of employment is not taxed until the time of disposition of such shares, unless the participant elects to be taxed at the time of distribution. The Paychex, Inc. 401(k) Plan Committee is not aware of any course of action or series of events that have occurred that might adversely affect the Plan's qualified status.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D. INVESTMENTS

The net realized gain on disposition of investments is as follows:

<TABLE>
<CAPTION>

	Combined Funds	Paychex, Inc. Common Stock Fund	Growth and Income Fund	Equity Fund	Inter- national Equity Fund
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1997:					
Amount realized	\$26,446,408	\$21,647,155	\$ 1,863,040	\$ 2,130,987	\$ 805,226
Average cost	22,219,050	18,098,190	1,454,167	1,967,419	699,274
Net realized gain	\$ 4,227,358	\$ 3,548,965	\$ 408,873	\$ 163,568	\$ 105,952
Year Ended December 31, 1996:					
Amount realized	\$20,959,915	\$15,144,002	\$ 2,390,860	\$ 3,244,305	\$ 180,748
Average cost	19,532,969	14,245,108	2,006,979	3,110,737	170,145
Net realized gain	\$ 1,426,946	\$ 898,894	\$ 383,881	\$ 133,568	\$ 10,603

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The unrealized appreciation (depreciation) in fair value of investments included in net assets available for plan benefits is as follows:

<TABLE>
<CAPTION>

	Combined Funds	Paychex, Inc. Common Stock Fund	Growth and Income Fund	Equity Fund	Inter- national Equity Fund
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended December 31, 1997:					
Balance at beginning of year	\$59,628,221	\$58,360,191	\$ 1,154,802	\$ 950	\$ 112,278
Change for the year	31,167,712	30,926,721	929,463	(900,770)	212,298
Balance at end of year	\$90,795,933	\$89,286,912	\$ 2,084,265	\$ (899,820)	\$ 324,576
Year Ended December 31, 1996:					
Balance at beginning of year	\$34,502,251	\$33,710,790	\$ 989,521	\$ (198,060)	\$ -
Change for the year	25,125,970	24,649,401	165,281	199,010	112,278
Balance at end of year	\$59,628,221	\$58,360,191	\$ 1,154,802	\$ 950	\$ 112,278

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E. BENEFIT PAYMENTS

The AICPA Audit and Accounting Guide "Audit of Employee Benefit Plans" requires the Plan to disclose, in the footnotes to the financial statements, the amount of assets that have been allocated but not yet paid to participants who have withdrawn from the Plan as of year end; the amount should not be classified as a liability in the statement of net assets available for benefits. As such, the financial statements do not contain an accrual for benefit payments liability as of December 31, 1997. Amounts allocated to withdrawn participants are required to be reported on Form 5500. The following is a reconciliation of net assets available for benefits at December 31, 1997 per the financial statement to the 1997 Form 5500:

<TABLE>
<CAPTION>

	December 31, 1997 <C>
Net assets available for benefits per Statement of Net Assets Available for Benefits by Funds and Combined-December 31, 1997	\$ 146,386,202

Amounts allocated to withdrawn participants	(1,036,176)
Net assets available for benefits per the Form 5500	\$ 145,350,026

</TABLE>

The following is a reconciliation of benefits paid to participants per the 1997 financial statements to the 1997 Form 5500:

<TABLE>
<CAPTION>

	Year ended December 31, 1997
Withdrawals by Terminated Participants per Statement of Changes In Net Assets Available for Benefits by Funds and Combined - December 31, 1997	\$ 6,630,008
Add: Amounts allocated to withdrawn participants at December 31, 1997	1,036,176
Deduct: Amounts allocated to withdrawn participants at December 31, 1996	(385,764)
Benefits paid to participants per the Form 5500	\$ 7,280,420

</TABLE>

NOTE F. ADDITION OF NEW FUND

Effective April 1, 1996 the Company began offering an International Equity Fund as an additional investment option for the 401(k) participants. The fund is managed by Global Asset Management Funds, Inc. and seeks capital appreciation through investing in equity markets worldwide, excluding those in the USA.

Effective January 1, 1998 the Company will offer the IRT 500 Index Fund through Invesco as an additional investment option for the 401(k) participants. The investment objective of this Fund is to provide total investment returns that closely replicate the total returns generated by the Standard & Poor's Composite Stock Index (S&P500).

NOTE G. SUBSEQUENT EVENT

Sub-event

Effective January 1, 1998, the employees of Paychex Business Solutions (PBS), a wholly owned subsidiary of Paychex, Inc., will be participating in the Plan. In February 1998, the assets of the PBS 401(k) retirement plan were merged into the Plan.

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN
DECEMBER 31, 1997

<TABLE>
<CAPTION>

Current Value	Identity of Issue, Borrower, Lessor or Similar Party	Description of Investment including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	Cost
	<S> <C>	<C>	<C>
\$104,983,796	Paychex, Inc. Common Stock Fund	2,073,754 shares of common Stock	\$15,696,884
3,488,465	Invesco Funds Group	3,488,465 shares of the IMF-Cash Reserves Fund	3,488,465
			\$19,185,349
\$108,472,261			
9,765,850	Growth and Income Fund	Invesco Funds Group 335,712 shares of the IVT Total Return Fund	7,681,585

Equity Fund 11,950,895	Invesco Funds Group	2,409,455 shares of the Invesco Growth Fund	12,850,715
Stable Value Fund 8,343,845	Invesco Funds Group	8,343,845 shares of the Invesco Stable Value Fund	8,343,845
International Equity Fund 3,251,581	Global Asset Management Funds, Inc.	114,131 shares of the Global Asset Management Fund	2,927,005
4,601,770	Participant Loans	*	4,601,770
			\$55,590,269
			\$146,386,202

</TABLE>

There were no investment assets acquired and disposed of during the year which are reportable under the requirements of Section 2520.103-11 of the Department of Labor's rules and regulations.

* Loans to participants have various maturity dates and bear interest at rates ranging from 7% to 11 1/2%.

SCHEDULE OF REPORTABLE TRANSACTIONS
PAYCHEX, INC. 401(k) INCENTIVE RETIREMENT PLAN
YEAR ENDED DECEMBER 31, 1997

<TABLE>
<CAPTION>

Category (iii) - A series of securities transactions in excess of 5% of plan assets:	Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Purchase Price	Sales Price	Current Value As of Transaction Date	Gain (Loss)
<S> Paychex, Inc. Common Stock Fund	<C> Invesco Funds Group	<C> IMF-Cash Reserves	<C> \$ 18,430,587	<C> \$ 17,093,424	<C> \$ 18,430,587 \$ 17,093,424	
Equity Fund	Invesco Funds Group	Invesco Growth Fund	\$ 7,068,977	\$ 2,135,017	\$ 7,068,977 \$ 2,135,017	
Total Return Fund	Invesco Funds Group	Invesco Total Return Fund	\$ 3,559,234	\$ 1,863,392	\$ 3,559,234 \$ 1,863,392	
Stable Value Fund	Invesco Funds Group	IRT Stable Value Fund	\$ 6,802,151	\$ 3,228,727	\$ 6,802,151 \$ 3,228,727	

</TABLE>

There were no reportable transactions under categories (i), (ii) or (iv).

EXHIBIT 23.1
Consent of Independent Auditors (To come from E&Y)

We consent to the incorporation by reference in the Registration Statement below, of our report dated April 15, 1998, with respect to the financial statements and schedules of Paychex, Inc. 401(k) Incentive Retirement Plan included in this Annual Report (Form 11-K) for the year ended December 31, 1997

- a. Form S-8 - Paychex, Inc. 401(k) Incentive Retirement Plan - as filed with the Securities and Exchange Commission on October 2, 1992 (No.33-52838).

Dated: June 25, 1998

Securities & Exchange Commission
450 5th Street, N.W.
Washington, D.c. 20549-1004

Attn: Filing Desk, Stop 1-4

RE: Form 11-K
Paychex, Inc.
Commission File No. 0-11330

Dear Sir or Madame:

Pursuant to Section 15(d) of the Securities Act of 1934, attached
is Form 11-K for the year ended December 31, 1997 for Paychex, Inc.

This filing is being effected by direct transmission to the
Commission's EDGAR system.

Very truly yours,

/s/ Timothy W. Bahr

Timothy W. Bahr
Reporting Manager

TWB/dmm