

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report: June 30, 1998
(Date of earliest event reported)

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

DELAWARE (State of incorporation)	0-11330 (Commission File Number)	16-1124166 (IRS Employer Identification Number)
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911 PANORAMA TRAIL SOUTH, ROCHESTER, NEW YORK (Address of principal executive offices)	14625-0397 (Zip Code)
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(716)385-6666

(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS

The registrant's press release dated June 30, 1998, regarding its financial results for the fiscal year ended May 31, 1998, is attached as EXHIBIT A.

The registrant also includes the restated segment information reflecting the adoption of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the four quarters and years ended May 31, 1998 and 1997. The release with the restated information is attached as EXHIBIT B.

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: June 30, 1998	/s/ B. Thomas Golisano ----- B. Thomas Golisano Chairman, President and Chief Executive Officer
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Date: June 30, 1998	/s/ John M. Morphy ----- John M. Morphy Vice President, Chief Financial Officer and Secretary
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EXHIBIT A

FOR IMMEDIATE RELEASE

John M. Morphy, Chief Financial Officer
Paychex, Inc. 716-383-3406
or
Jan Shuler 716-383-3406
Paychex, Inc.
Access Paychex, Inc. News Releases on the WORLD WIDE WEB
<http://www.paychex.com> or <http://www.prnewswire.com>

PAYCHEX, INC. REPORTS RECORD
YEAR END AND FOURTH QUARTER RESULTS

ROCHESTER, NY, June 30, 1998 -- Paychex, Inc. (NASDAQ: PAYX) today announced record net income of \$102.2 million or \$.62 diluted earnings per share for the year ended May 31, 1998, a 36% increase over net income of \$75.2 million or \$.46 diluted earnings per share for the same period last year. Total service revenues were \$493.7 million, an increase of 24% over \$399.7 million for the previous fiscal year.

For the quarter ended May 31, 1998, net income increased 35% to \$28.1 million or \$.17 diluted earnings per share as compared to net income of \$20.7 million or \$.13 diluted earnings per share for the same period last year. Total service revenues were \$131.7 million, an increase of 23% over \$106.8 million for the same period last year.

Effective May 31, 1998, Paychex, Inc., adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and

Related Information". The Statement requires the Company to report segment financial information consistent with the presentation made to the Company's management for decision-making purposes. Prior quarter and year segment disclosures have been restated to be consistent with the fourth quarter and year ended May 31, 1998.

PAYROLL SEGMENT

For the year ended May 31, 1998, operating income from payroll services increased 33% to \$180.3 million from \$135.4 million for the same period last year. Payroll service revenue was \$455.2 million, an increase of 23% over \$368.9 million for the same period last year.

For the quarter ended May 31, 1998, operating income from payroll services increased 29% to \$46.7 million from \$36.2 million for the fourth quarter last year. Payroll service revenue was \$119.6 million, an increase of 21% over \$98.9 million for the fourth quarter last year.

The increases in revenues and operating income were the result of a 12% year over year increase in the Company's payroll client base and continued growth of the Taxpay and Direct Deposit products. Paychex currently services 293,600 payroll clients, with 220,700 utilizing Taxpay, the Company's tax filing and payment feature, 104,400 taking advantage of the Company's Direct Deposit product and 33,500 using the Company's Check Signing option.

HRS-PEO SEGMENT

For the year ended May 31, 1998, operating income for the segment increased from \$5.6 million to \$6.6 million. HRS-PEO service revenue rose to \$38.5 million, an increase of 25% over \$30.9 million for the same period last year.

For the quarter ended May 31, 1998, operating income for the HRS-PEO segment increased from \$0.5 million to \$3.9 million. HRS-PEO service revenue rose to \$12.1 million, an increase of 53% over \$7.9 million for the fourth quarter last year.

The increased revenue for the year and the quarter is directly related to the continued growth of the segment's client bases. As of May 31, 1998, the segment had 6,000 401(k) recordkeeping clients, 16,400 section 125 clients, and 19,200 PEO worksite employees, which represent an increase of 100%, 24%, and 39%, respectively, over the same period last year. The segment's increase in operating income for the quarter ended May 31, 1998, is due to increased revenue and the benefits of consolidating the PEO administrative functions in Rochester, NY. This consolidation was completed at the end of February, 1998.

CORPORATE EXPENSES

Corporate expenses include the Information Technology, Organizational Development, Finance and Senior Management functions of the Company. For the year ended May 31, 1998, operating expenses increased 18% from \$44.3 million to \$52.2 million. For the quarter ended May 31, 1998, operating expenses increased 30% from \$10.6 million to \$13.7 million. The year's increase in expenses is primarily due to additional employees necessary to support the growth of the Company's business segments. The fourth quarter increase relates to additional personnel and increased national marketing efforts, which were commenced in the third quarter of 1998.

B. Thomas Golisano, Chairman, President, and Chief Executive Officer of Paychex said, "We are pleased with our excellent financial results for both the year and fourth quarter of fiscal 1998. These results reflect our seventh consecutive year of net income growth of 36% or more. Outstanding new payroll client growth was accompanied by increased utilization of Taxpay, Direct Deposit and other ancillary products. We see growing acceptance of our HRS-PEO products and, as evidenced by our fourth quarter results, anticipate excellent opportunities from this combination of resources and client experience. We look forward to continued success as we expand our client base in the Payroll and HRS-PEO divisions."

PAYCHEX, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	For the three months ended		For the twelve months ended	
	May 31, 1998	May 31, 1997	May 31, 1998	May 31, 1997
Service revenues:				
Payroll	\$119,595	\$ 98,910	\$455,227	\$368,855
HRS-PEO	12,116	7,930	38,477	30,878
	-----	-----	-----	-----
Total service revenues	131,711	106,840	493,704	399,733
PEO direct costs billed (A)	136,575	96,756	499,741	334,966
	-----	-----	-----	-----
Total revenue	268,286	203,596	993,445	734,699
PEO direct costs (A)	136,575	96,756	499,741	334,966
Operating costs	34,187	30,178	131,731	115,034
Selling, general and administrative expenses	60,605	50,505	227,273	188,074
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Operating income	36,919	26,157	134,700	96,625
Investment income	2,645	2,037	9,473	7,031
	-----	-----	-----	-----
Income before income taxes	39,564	28,194	144,173	103,656
Income taxes	11,513	7,471	41,954	28,506
	-----	-----	-----	-----
Net income	\$ 28,051	\$ 20,723	\$102,219	\$ 75,150
	=====	=====	=====	=====
Basic earnings per share (B)\$.17	.13	.63	.46
	=====	=====	=====	=====
Diluted earnings per share (B)	\$.17	\$.13	\$.62	\$.46
	=====	=====	=====	=====
Weighted-average common shares outstanding (B)	163,162	162,730	163,009	162,002
	=====	=====	=====	=====
Weighted-average shares assuming dilution (B)	165,326	164,275	164,813	163,757
	=====	=====	=====	=====
Cash dividends per share (B)\$.06	.04	.22	.15
	=====	=====	=====	=====

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

(B) Financial information for the periods ended May 31, 1997, have been adjusted for a three-for-two stock split distributed in May 1998.

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

May 31,	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 35,571	\$ 50,213
Investments	214,967	132,780
Interest receivable	13,227	10,462
Accounts receivable	54,596	45,527
Deferred income taxes	1,525	2,560
Prepaid expenses and other current assets	4,391	2,486
	-----	-----
Current assets before ENS investments	324,277	244,028
Electronic Network Services investments	1,154,501	896,633
	-----	-----
Total current assets	1,478,778	1,140,661
Property and equipment - net	64,698	54,178
Deferred income taxes	517	72
Other assets	5,794	6,412
	-----	-----
Total assets	\$1,549,787	\$1,201,323
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,496	\$ 5,649
Accrued compensation and related items	33,649	26,969
Deferred revenue	4,443	4,335
Accrued income taxes	2,628	1,774
Other current liabilities	13,960	11,240
	-----	-----
Current liabilities before ENS client deposits	65,176	49,967
Electronic Network Services client deposits	1,150,484	896,080
	-----	-----
Total current liabilities	1,215,660	946,047
Other long-term liabilities	4,520	3,734
	-----	-----
Total liabilities	1,220,180	949,781
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value, authorized 300,000 shares		
Issued: 163,188/1998 and 108,519/1997	1,632	1,085
Additional paid-in capital	46,463	37,531
Retained earnings	278,107	212,387
Accumulated other comprehensive income	3,405	539
	-----	-----
Total stockholders' equity	329,607	251,542
	-----	-----
Total liabilities and stockholders' equity	\$1,549,787	\$1,201,323
	=====	=====

Note: Accumulated other comprehensive income is related to the Company's early adoption of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The adoption of the Statement did not have an effect on the Company's results of operations or financial position.

The Company has 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. Corporate expenses are primarily related to the Information Technology, Organizational Development, Finance and Senior Management functions of the Company.

	For the		For the	
	three months ended		twelve months ended	
	May 31,	May 31,	May 31,	May 31,
	1998	1997	1998	1997
Total revenue:				
Payroll	\$119,595	\$ 98,910	\$455,227	\$368,855
HRS-PEO revenue:				
Service revenue	12,116	7,930	38,477	30,878
PEO direct costs billed (A)	136,575	96,756	499,741	334,966
	-----	-----	-----	-----
Total HRS-PEO revenue	148,691	104,686	538,218	365,844
	-----	-----	-----	-----
Total revenue	268,286	203,596	993,445	734,699
PEO direct costs (A)	136,575	96,756	499,741	334,966
	-----	-----	-----	-----
Total revenue less				
PEO direct costs	131,711	106,840	493,704	399,733
	=====	=====	=====	=====
Operating income:				
Payroll	46,707	36,228	180,265	135,364
HRS-PEO	3,948	480	6,642	5,596
	-----	-----	-----	-----
Total operating income	50,655	36,708	186,907	140,960
Corporate expenses	13,736	10,551	52,207	44,335
Investment income	2,645	2,037	9,473	7,031
	-----	-----	-----	-----
Income before income taxes	\$ 39,564	\$ 28,194	\$144,173	\$103,656
	=====	=====	=====	=====

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

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995

Certain written and oral statements made by the Company's management may constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by such words and phrases as "expects" and "could be." Because they are forward-looking, they should be evaluated in light of important risk factors. These risk factors include 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, including Year 2000 issues; and changes in short- and long-term interest rates and the credit rating of securities held in the Company's investment portfolios.

EXHIBIT B

PAYCHEX, INC. RESTATED QUARTERLY SEGMENT RESULTS
IN ACCORDANCE WITH ADOPTION OF SFAS No. 131

During the fourth quarter of fiscal year 1998, Paychex, Inc., adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures about Segments of an Enterprise and Related Information". The Statement requires the Company to report segment financial information consistent with the presentation made to the Company's management for decision-making purposes. Previously reported prior quarter and year segment disclosures have been restated to be consistent with the fourth quarter and year ended May 31, 1998. Adoption of SFAS No. 131 required the Company's Corporate expenses to be displayed separately. Previous segment disclosure requirements required Corporate expenses to be allocated to the reported segments.

Segment information reflecting the adoption of SFAS No. 131 for the four quarters and years ended May 31, 1998 and 1997, is as follows.

The Company has 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. Corporate expenses are primarily related to the Information Technology, Organizational Development, Finance and Senior Management functions of the Company.

PAYCHEX, INC.
BUSINESS SEGMENT INFORMATION
RESTATED FOR ADOPTION OF SFAS No. 131
(In thousands)

Year ended May 31, 1998	/-----For the three months ended-----/				For the twelve months ended
	August 31, 1997	November 30, 1997	February 28, 1998	May 31, 1998	May 31, 1998
Total revenue:					
Payroll	\$104,865	\$108,528	\$122,239	\$119,595	\$455,227
HRS-PEO revenue:					
Service revenue	8,082	8,645	9,634	12,116	38,477
PEO direct costs billed (A)	105,636	118,048	139,482	136,575	499,741
	-----	-----	-----	-----	-----
Total HRS-PEO revenue	113,718	126,693	149,116	148,691	538,218
	-----	-----	-----	-----	-----
Total revenue	218,583	235,221	271,355	268,286	993,445
PEO direct costs (A)	105,636	118,048	139,482	136,575	499,741
	-----	-----	-----	-----	-----
Total revenue less PEO direct costs	112,947	117,173	131,873	131,711	493,704
	=====	=====	=====	=====	=====
Operating income:					
Payroll	41,234	44,230	48,094	46,707	180,265
HRS-PEO	1,204	994	496	3,948	6,642
	-----	-----	-----	-----	-----
Total operating income	42,438	45,224	48,590	50,655	186,907
Corporate expenses	12,081	12,652	13,738	13,736	52,207
Investment income	2,188	2,291	2,349	2,645	9,473
	-----	-----	-----	-----	-----
Income before income taxes	\$ 32,545	\$ 34,863	\$ 37,201	\$ 39,564	\$144,173
	=====	=====	=====	=====	=====

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

PAYCHEX, INC.
BUSINESS SEGMENT INFORMATION
RESTATED FOR ADOPTION OF SFAS No. 131
(In thousands)

Year ended May 31, 1998	/-----For the three months ended-----/				For the twelve months ended
	August 31, 1996	November 30, 1996	February 28, 1997	May 31, 1997	May 31, 1997
Total revenue:					
Payroll	\$ 84,307	\$ 87,704	\$ 97,934	\$ 98,910	\$368,855
HRS-PEO revenue:					
Service revenue	6,966	7,562	8,420	7,930	30,878
PEO direct costs billed (A)	74,769	74,233	89,208	96,756	334,966
	-----	-----	-----	-----	-----
Total HRS-PEO revenue	81,735	81,795	97,628	104,686	365,844
	-----	-----	-----	-----	-----
Total revenue	166,042	169,499	195,562	203,596	734,699
PEO direct costs (A)	74,769	74,233	89,208	96,756	334,966
	-----	-----	-----	-----	-----
Total revenue less PEO direct costs	91,273	95,266	106,354	106,840	399,733
	=====	=====	=====	=====	=====
Operating income:					

Payroll	31,301	32,583	35,252	36,228	135,364
HRS-PEO	1,539	2,356	1,221	480	5,596
	-----	-----	-----	-----	-----
Total operating income	32,840	34,939	36,473	36,708	140,960
Corporate expenses	10,743	11,590	11,451	10,551	44,335
Investment income	1,485	1,745	1,764	2,037	7,031
	-----	-----	-----	-----	-----
Income before income taxes	\$ 23,582	\$ 25,094	\$ 26,786	\$ 28,194	\$103,656
	=====	=====	=====	=====	=====

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