

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: September 15, 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)
911 PANORAMA TRAIL SOUTH, ROCHESTER, NEW YORK (Address of principal executive offices)		14625-0397 (Zip Code)

(716)385-6666

(Registrant's telephone number, including area code)

ITEM 5. OTHER EVENTS

The registrant's press release dated September 15, 1998, regarding its financial results for the three months ended August 31, 1998, is attached.

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: September 15, 1998 /s/ B. Thomas Golisano

B. Thomas Golisano
Chairman, President and
Chief Executive Officer

Date: September 15, 1998 /s/ John M. Morphy

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

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 FIRST QUARTER RESULTS

ROCHESTER, NY, September 15, 1998 -- Paychex, Inc. (NASDAQ: PAYX) today announced record net income of \$31.4 million or \$.19 diluted earnings per share for the first quarter ended August 31, 1998, a 36% increase over net income of \$23.1 million or \$.14 diluted earnings per share for the same period last year. Total service revenues were \$139.3 million, an increase of 23% over \$112.9 million for the same period last year.

PAYROLL SEGMENT

For the quarter ended August 31, 1998, operating income from payroll services increased 31% to \$53.9 million from \$41.2 million for the same period last year. Payroll service revenue was \$128.0 million, an increase of 22% over \$104.9 million for the same period last year.

The increases in revenues and operating income were the result of an 11% year-over-year increase in the Company's payroll client base and the continued growth of the Taxpay and Direct Deposit products. Paychex currently services 300,900 payroll clients, with 228,900 utilizing Taxpay, the Company's tax filing and payment feature, 112,400 taking advantage of the Company's Direct Deposit product and 35,300 using the Company's Check Signing option.

HRS-PEO SEGMENT

For the quarter ended August 31, 1998, operating income for the HRS-PEO segment increased 117% to \$2.6 million from \$1.2 million for the same period last year. HRS-PEO service revenue was \$11.3 million, an increase of 40% over

\$8.1 million for the same period last year.

The increases in service revenue and operating income for the quarter were due to the continued expansion of the segment's client bases, which produced higher recurring revenues. As of August 31, 1998, the segment had 6,700 401(k) plan recordkeeping clients, 17,300 section 125 clients, and 19,000 PEO worksite employees, an increase of 86%, 24%, and 31%, respectively, over August 31, 1997 levels. Segment results also benefited from the consolidation of the PEO administrative functions in Rochester, NY, completed in February 1998.

CORPORATE EXPENSES

Corporate expenses are primarily related to the Information Technology, Organizational Development, Finance and Senior Management functions of the Company. For the quarter ended August 31, 1998, operating expenses increased 23% from \$12.1 million to \$14.9 million. The period's increase is primarily due to additional employees required to support the continued growth of the Company's business segments, and from increased national marketing efforts, commenced in the third quarter of 1998.

B. Thomas Golisano, Chairman, President, and Chief Executive Officer of Paychex said, "First quarter fiscal 1999 is reflective of consistent results achieved the last several years. We reached another milestone as we are now servicing over 300,000 payroll clients. Expansion of our payroll client base and their utilization of our ancillary services continue to generate excellent results. Profits from the HRS-PEO segment continue to improve as we realize the benefits of expansion efforts and optimize the segment's support functions. HRS-PEO results are gradually becoming more important to the total profits of Paychex."

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

	For the three months ended	
	August 31, 1998	August 31, 1997
Service revenues:		
Payroll	\$127,982	\$104,865
HRS-PEO	11,307	8,082
	-----	-----
Total service revenues	139,289	112,947
PEO direct costs billed (A)	142,498	105,636
	-----	-----
Total revenue	281,787	218,583
PEO direct costs (A)	142,498	105,636
Operating costs	35,885	30,306
Selling, general and administrative expenses	61,761	52,284
	-----	-----
Operating income	41,643	30,357
Investment income	2,961	2,188
	-----	-----
Income before income taxes	44,604	32,545
Income taxes	13,203	9,471
	-----	-----
Net income	\$ 31,401	\$ 23,074
	=====	=====
Basic earnings per share (B)	\$.19	\$.14
	=====	=====
Diluted earnings per share (B)	\$.19	\$.14
	=====	=====
Weighted-average common shares outstanding (B)	163,277	162,845
	=====	=====
Weighted-average shares assuming dilution (B)	165,525	164,441
	=====	=====
Cash dividends per common share (B)	\$.06	\$.04
	=====	=====

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

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

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	August 31, 1998	May 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 49,519	\$ 35,571
Investments	219,350	214,967

Interest receivable	11,759	13,227
Accounts receivable	66,332	54,596
Deferred income taxes	-	1,525
Prepaid expenses and other current assets	3,960	4,391
	-----	-----
Current assets before ENS investments	350,920	324,277
Electronic Network Services investments	1,110,205	1,154,501
	-----	-----
Total current assets	1,461,125	1,478,778
Property and equipment - net	62,986	64,698
Deferred income taxes	866	517
Other assets	5,980	5,794
	-----	-----
Total assets	\$1,530,957	\$1,549,787
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 6,589	\$ 10,496
Accrued compensation and related items	26,287	33,649
Deferred revenue	3,014	4,443
Accrued income taxes	10,581	2,628
Deferred income taxes	1,511	-
Other current liabilities	17,094	13,960
	-----	-----
Current liabilities before ENS client deposits	65,076	65,176
Electronic Network Services client deposits	1,103,784	1,150,484
	-----	-----
Total current liabilities	1,168,860	1,215,660
Other long-term liabilities	5,110	4,520
	-----	-----
Total liabilities	1,173,970	1,220,180
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value, authorized 300,000 shares		
Issued: 163,382/ August 31, 1998 and 163,188/ May 31, 1998		
	1,634	1,632
Additional paid-in capital	49,989	46,463
Retained earnings	299,709	278,107
Accumulated other comprehensive income	5,655	3,405
	-----	-----
Total stockholders' equity	356,987	329,607
	-----	-----
Total liabilities and stockholders' equity	\$1,530,957	\$1,549,787
	=====	=====

PAYCHEX, INC.
BUSINESS SEGMENT INFORMATION
(In thousands)

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 three months ended	
	August 31, 1998	August 31, 1997
Total revenue:		
Payroll	\$127,982	\$104,865
HRS-PEO revenue:		
Service revenue	11,307	8,082
PEO direct costs billed (A)	142,498	105,636
	-----	-----
Total HRS-PEO revenue	153,805	113,718
	-----	-----
Total revenue	281,787	218,583
PEO direct costs (A)	142,498	105,636
	-----	-----
Total revenue less PEO direct costs	139,289	112,947
	=====	=====
Operating income:		
Payroll	53,888	41,234

HRS-PEO	2,611	1,204
	-----	-----
Total operating income	56,499	42,438
Corporate expenses	14,856	12,081
Investment income	2,961	2,188
	-----	-----
Income before income taxes	\$ 44,604	\$ 32,545
	=====	=====

(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.