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 August 31, 1997

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	108,602,308 Shares
CLASS	OUTSTANDING AT SEPTEMBER 30, 1997

PAYCHEX, INC.

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PART I. FINANCIAL INFORMATION

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

	August 31, 1997 (UNAUDITED)	May 31, 1997 (AUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53,316	$ 50,213
Investments	146,062	132,780
Interest receivable	9,582	10,462
Accounts receivable	49,142	45,527
Deferred income taxes	869	2,560
Prepaid expenses and other current assets	2,394	2,486
Current assets before ENS investments	261,365	244,028
Electronic Network Services investments (1)	920,565	896,633
Total current assets	1,181,930	1,140,661
Property and equipment - net	55,536	54,178
Deferred income taxes	290	72
Other assets	6,578	6,412
Total assets	$1,244,334	$1,201,323
LIABILITIES		
Current liabilities:		
Accounts payable	$ 4,294	$ 5,649
Accrued compensation and related items	21,118	26,969
Deferred revenue	3,326	4,335
Reserve for workers' compensation	2,011	1,813
Accrued income taxes	10,051	1,774
Other current liabilities	10,721	9,427
Current liabilities before ENS client deposits	51,521	49,967
Electronic Network Services client deposits (1)	918,275	896,080
Total current liabilities	969,796	946,047
Other liabilities:		
Reserve for workers' compensation	1,230	928
Other long-term liabilities	3,602	2,806
Total liabilities	974,628	949,781
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, authorized 150,000,000 shares	1,086	1,085
Issued: 108,600,209 and 108,518,831		
Additional paid-in capital	37,728	37,531
Retained earnings	230,892	212,926
Total stockholders' equity	269,706	251,542
Total liabilities and stockholders' equity	$1,244,334	$1,201,323

See notes to consolidated financial statements.

(1) 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 August 31,	1997	1996
Service revenues:		
Payroll	$104,865	$ 84,307
HRS-PEO	8,082	6,966
Total service revenues	112,947	91,273

PEO direct costs billed (1)	105,636	74,769
Total revenue	218,583	166,042
PEO direct costs (1)	105,636	74,769
Operating costs	30,306	26,564
Selling, general and administrative expenses	52,284	42,612
Operating income	30,357	22,097
Investment income	2,188	1,485
Income before income taxes	32,545	23,582
Income taxes	9,471	6,509
Net income	$ 23,074	$ 17,073
Earnings per share	$ .21	$ .16
Cash dividends per share	$ .06	$ .04
Weighted-average shares outstanding	108,563	107,480

See notes to consolidated financial statements.

(1) 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 three months ended August 31,	1997	1996 (Restated)
OPERATING ACTIVITIES:		
Net income	$ 23,074	$ 17,073
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization on depreciable and intangible assets	4,189	3,475
Amortization of premiums and discounts on securities	1,831	1,126
Net change in provision for deferred income taxes	669	(649)
Provision for bad debts	383	368
Net realized gains on sales of available-for-sale securities	(32)	(54)
Changes in operating assets and liabilities:		
Accounts receivable	(3,998)	(762)
Interest receivable	880	287
Prepaid expenses and other current assets	92	(258)
Accounts payable and other current liabilities	1,554	6,275
Net change in other assets and liabilities	984	117
Net cash provided by operating activities	29,626	26,998
INVESTING ACTIVITIES:		
Investment purchases of available-for-sale securities	(98,712)	(83,319)
Proceeds from sales of available-for-sale securities	55,209	24,670
Proceeds from maturities of available-for-sale securities	-	1,500
Net change in Electronic Network Services money market funds and other cash equivalents	6,728	30,364
Net change in Electronic Network Services client deposits	22,195	7,817
Additions to property and equipment, net of disposals	(5,273)	(4,178)
Purchases of other assets	(326)	(780)
Net cash used in investing activities	(20,179)	(23,926)
FINANCING ACTIVITIES:		
Proceeds and tax benefit from exercise of stock options	198	244
Dividends paid	(6,516)	(4,643)
Payment in lieu of issuance of fractional shares	(26)	-
Payments on long-term debt	-	248

Net cash used in financing activities	(6,344)	(4,151)
Increase (decrease) in cash and cash equivalents	3,103	(1,079)
Cash and cash equivalents, beginning of period	50,213	19,999
Cash and cash equivalents, end of period	$ 53,316	$ $18,920

See notes to consolidated financial statements.

PAYCHEX, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
AUGUST 31, 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 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 ended August 31, 1997, 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) In May 1997, the Company restated previously reported consolidated financial statements to reflect the Electronic Network Services funds and related client deposit liabilities as current assets and current liabilities on the consolidated balance sheets. This restatement had no effect on previously reported net income or earnings per share, but required the restatement of the consolidated statement of cash flows for the three months ended August 31, 1996, contained herein.

C) Earnings per share, cash dividends per share, weighted-average shares outstanding and all other applicable information for the quarter ended August 31, 1996, 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.

D) Net income per share of common stock is based upon the weighted-average number of shares of common stock outstanding during the period. Common stock equivalents have not been included as their impact is not materially dilutive. See Part II, Item 6, (a) Exhibit 11, "Statement re computation of per share earnings".

E) Recently issued accounting standards: In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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. The Company will adopt this SFAS in the quarter ending August 31, 1998 (the first quarter of fiscal year 1999), and will reclassify its financial statements for earlier periods provided for comparative purposes. The Company's management does not believe that the difference between reported net income and pro forma comprehensive income to be significant.

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. Currently, management believes this SFAS will not have a significant effect on the Company's segment disclosures and related information.

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

G) Property and equipment - net:

(In thousands)	August 31, 1997 (UNAUDITED)	May 31, 1997 (AUDITED)
Land and improvements	$ 2,789	$ 2,789

Buildings and improvements	24,700	24,672
Data processing equipment and software	54,556	50,973
Furniture, fixtures and equipment	45,226	44,251
Leasehold improvements	4,238	3,582
	131,509	126,267
Less accumulated depreciation and amortization	75,973	72,089
	$ 55,536	$ 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.

For the three months ended August 31, (In thousands and unaudited)	1997	1996 (Restated(2))
Total revenue:		
Payroll	$104,865	$ 84,307
HRS-PEO revenue:		
Service revenue	8,082	6,966
PEO direct costs billed (1)	105,636	74,769
Total HRS-PEO revenue	113,718	81,735
Total revenue	218,583	166,042
PEO direct costs (1)	105,636	74,769
Total revenue less PEO direct costs	112,947	91,273
Operating costs:		
Payroll	28,249	24,381
HRS-PEO	2,057	2,183
Total operating costs	30,306	26,564
Selling, general and administrative expenses:		
Payroll	46,438	37,927
HRS-PEO	5,040	3,189
Total selling, general and administrative expenses	51,478	41,116
Operating income:		
Payroll	30,178	21,999
HRS-PEO	985	1,594
Total operating income	31,163	23,593
General corporate expenses	806	1,496
Investment income	2,188	1,485
Income before income taxes	$ 32,545	$ 23,582

(1) Wages and payroll taxes of PEO worksite employees and their related benefit premiums and claims.
(2) All financial information has been restated to reflect the formation of the HRS-PEO business segment in the third quarter of fiscal 1997.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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 quarter ended August 31, 1997 and 1996, and its financial condition at August 31, 1997. 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 August 31, 1997 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

For the three months ended August 31, (In thousands except per share amounts)	1997	Change	1996
Total revenue	$ 218,583	+31.6%	$ 166,042
Operating income	$ 30,357	+37.4%	$ 22,097
Net income	$ 23,074	+35.1%	$ 17,073
Earnings per share	$ .21	+31.3%	$ .16

The Company's record levels of total revenue and net income resulted from continued growth in its client base, increased utilization of ancillary services, and decreased selling, general and administrative expenses as a percent of total revenue. For the three months ended August 31, 1996, the results included approximately $0.5 million of merger costs (included in general corporate expenses) from the business acquisition of National Business Solutions, Inc., completed on August 26, 1996.

PAYROLL SEGMENT:

For the three months ended August 31, (In thousands)	1997	Change	1996
Payroll service revenue	$104,865	+24.4%	$ 84,307
Payroll operating income	$ 30,178	+37.2%	$ 21,999
Client statistics at August 31,			
Payroll clients	270.3	+12.8%	239.6
Taxpay clients	192.4	+36.0%	141.5
Direct Deposit clients	81.9	+46.8%	55.8
Check Signing clients	28.6	+21.7%	23.5

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. During the quarter ended August 31, 1997, the Taxpay client base benefited from the Federal mandate requiring small businesses to file payroll taxes electronically as of July 1, 1997, but without penalties until July 1, 1998. The Company believes it has already derived much of the benefit from this mandate for fiscal 1998.

Operating income: Operating income for the quarter 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.
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 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:

For the three months ended August 31, (In thousands)	1997	Change	1996
HRS-PEO service revenue	$ 8,082	+ 16.0%	$ 6,966
PEO direct costs billed	105,636	+ 41.3%	74,769
Total HRS-PEO revenue	113,718	+ 39.1%	81,735
PEO direct costs	105,636	+ 41.3%	74,769
HRS-PEO operating income	$ 985	- 38.2%	$ 1,594
Client statistics at August 31,			
401(k) clients	3.5	+150.0%	1.4
PEO worksite employees	14.5	+ 51.0%	9.6

Revenues: The increase in HRS-PEO service revenue was a result of increases in the number of 401(k) clients and PEO worksite employees, and offset by a decrease of $.9 million in Handbook revenues. The Handbook revenue decrease was primarily due to the reallocation of resources from Handbook products to generate recurring revenues from 401(k) recordkeeping services and section 125 cafeteria plans. Fiscal 1998 revenues are expected to grow as the Company continues to increase 401(k) clients, PEO worksite employees and other HRS-PEO ancillary product sales.

Operating income: The decrease in operating income was a result of the reallocation of resources from Handbook products to generate recurring revenues from 401(k) recordkeeping services and section 125 cafeteria plans, costs of PEO expansion and centralization activities, and market-driven decreases in gross profit per PEO worksite employee. Operating income for fiscal 1998 is expected to increase in comparison to fiscal 1997, but will continue to be impacted by the same factors experienced in the first quarter ended August 31, 1997.

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 August 31, 1997, 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:

For the three months ended August 31, (In thousands)	1997	Change	1996
Investment income	$2,188	+47.3%	$1,485

Investment income earned from the Company's Investments, which does not include the income earned from ENS investments, has grown as a result of increases in investment balances generated from successive gains in operating cash flows and slightly higher rates of interest earned on money market funds and other cash equivalents. 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 quarter ended August 31, 1997 and 1996 was 29.1% and 27.6%, respectively. The effective tax rate for the quarter ended August 31, 1997, 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 29.0%.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated operating cash flows:

For the three months ended August 31, (In thousands)	1997	Change	1996
Operating cash flows	$29,626	+9.7%	$26,998

The increase in operating cash flows resulted primarily from the continued achievement of record net income for the quarter ended August 31, 1997. 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 August 31, 1997, the Company had $199.4 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. 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 August 31, 1997, the portfolio of securities had an average duration of 2.6 years.

For the quarter ended August 31, 1997, investment purchases of available-for-sale securities increased as compared to the prior year as a result of the increases in the number of Taxpay and Direct Deposit clients, and increased operating cash flows used for investing activities. Proceeds from sales of available-for-sale securities increased as compared to the prior year's quarter as a result of liquidity needs to make client tax payments "good funds" one business day earlier.

Purchases of property and equipment:

For the three months ended August 31, (In thousands)	1997	Change	1996
Purchases of property and equipment	$5,280	+11.7%	$4,727

Purchases of property and equipment for the quarter ended August 31, 1997 and 1996 were mainly comprised of upgrades to data processing equipment, workstations, and leasehold improvements. Purchases of property and equipment in fiscal 1998 are expected to range from $19 to $23 million.

Cash dividends:

For the three months ended August 31, (In thousands except per share amounts)	1997	Change	1996
Cash dividends	$6,516	+40.3%	$4,643
Cash dividends per share	$ .06	+50.0%	$ .04

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, payable November 24, 1997 to shareholders of record October 27, 1997.

OTHER

Recently issued accounting standards: In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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. The Company will adopt this SFAS in the quarter ending August 31, 1998 (the first quarter of fiscal year 1999), and will reclassify its financial statements for earlier periods provided for comparative purposes. The Company's management does not believe that the difference between reported net income and pro forma comprehensive income to be significant.

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. Currently, management believes this SFAS will not have a significant effect on the Company's segment disclosures and related information.

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 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders was held on October 2, 1997. Stockholders elected eight Directors nominated in the August 8, 1997 Proxy Statement, incorporated herein by reference, to hold office until the next Annual Meeting of Stockholders. Additionally, the stockholders ratified the proposal to amend the Certificate of Incorporation to increase the authorized shares of common stock from 150,000,000 to 300,000,000. Results of stockholder voting are as follows:

1. Election of Directors	Votes For	Votes Withheld
B. Thomas Golisano	92,798,149	245,719
Donald W. Brinckman	92,837,318	206,557
Steven D. Brooks	91,322,962	1,720,909
G. Thomas Clark	92,813,255	230,622
Phillip Horsley	92,847,580	196,297
Grant M. Inman	92,845,632	198,245
Harry P. Messina, Jr.	92,193,234	850,645
J. Robert Sebo	92,811,562	232,315

2. Proposal to amend the Certificate of Incorporation to increase the authorized shares of common stock from 150,000,000 to 300,000,000.

For	Against	Abstaining	Broker Non-Votes
90,058,186	2,746,472	238,838	383

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit 3 (i), "Articles of Incorporation". The Certificate of Amendment of Certificate of Incorporation was filed with the Delaware Secretary of State on October 2, 1997, and a copy is filed herewith at the end of this Form 10-Q.

Exhibit 11, "Statement re computation of per share earnings" is filed herewith at the end of this Form 10-Q.

Exhibit 27, "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 August 31, 1997.

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: October 14, 1997

/s/ Eugene R. Polisseni

Eugene R. Polisseni
Vice President, Marketing

Date: October 14, 1997

/s/ John M. Morphy

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

EXHIBIT 3 (i)

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
PAYCHEX, INC.

Under Section 242 of the General Corporation Law

The undersigned, being the President and Secretary of Paychex, Inc., do hereby certify as follows:

1. The name of the Corporation is Paychex, Inc. The Corporation was originally formed under the name Blase T. Golisano, Inc., the name having been changed by Amendment contained in a Certificate of Merger filed on May 17, 1979.

2. The Certificate of Incorporation was filed by the Delaware Secretary of State on April 26, 1979.

3. The Certificate of Incorporation is amended to increase the number of authorized shares from 150,000,000 having a par value of $.01 each, to 300,000,000 having a par value of $.01 each.

Paragraph 4 of the Certificate of Incorporation is amended to read in its entirety as follows:

"4 The total number of shares of stock which the Corporation shall have authority to issue is 300,000,000 shares of common stock and the par value of each of such shares is $.01, amounting in the aggregate to $3,000,000."

4. The Amendment to the Certificate of Incorporation was adopted by the Board of Directors and authorized at a meeting of stockholders by vote of the holders of a majority of all outstanding shares entitled to vote.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its President and attested by its Secretary as of the 2nd day of October, 1997.

/s/ B. Thomas Golisano

B. Thomas Golisano,
President

Attested By:

/s/ John M. Morphy

John M. Morphy,
Secretary

EXHIBIT 11

PAYCHEX, INC.
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(In thousands except per share data)

For the three months ended August 31,	1997	1996
A. Net income	$ 23,074	$ 17,073
B. Actual weighted-average number of common shares outstanding	108,563	107,480
C. Earnings per common share (A/B) (1)	$ .21	$ .16
PRIMARY DILUTED EARNINGS PER SHARE (2):		
D. Net effect of dilutive stock options based on Treasury Stock Method using average market price for the three months ended August 31,	1,065	1,236
E. Adjusted weighted-average shares outstanding (B+D)	109,628	108,716
F. Primary diluted earnings per share (A/E)	$ .21	$ .16
G. Dilutive effect on earnings per share (C-F)	$ .00	$ .00
FULLY DILUTED EARNINGS PER SHARE (2):		
H. Net effect of dilutive stock options based on Treasury Stock Method using the period end market price, if greater than the average market price for the three months ended August 31,	1,065	1,287
I. Adjusted weighted-average shares outstanding (B+H)	109,628	108,767
J. Fully diluted earnings per share (A/I)	$ .21	$ .16
K. Dilutive effect on earnings per share (C-J)	$ .00	$ .00

(1) Earnings per common share information is based on weighted-average number of shares of common stock outstanding during each period. No effect has been given to stock options outstanding under the Company's Stock Incentive Plans as no material dilutive effect would result from the exercise of these options.

(2) This calculation is submitted in accordance with The Securities and Exchange Act of 1934, although not required by Accounting Principles Board Opinion No. 15, since no material dilutive effect would result from the exercise of these options.

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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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<NAME> PAYCHEX, INC.
<MULTIPLIER> 1,000

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<SECURITIES>	1,066,627<F1>	729,240<F1>
<RECEIVABLES>	58,724	49,568
<ALLOWANCES>	0	0
<INVENTORY>	0	0
<CURRENT-ASSETS>	1,181,930	802,176
<PP&E>	131,509	113,789
<DEPRECIATION>	75,973	62,431
<TOTAL-ASSETS>	1,244,334	859,082
<CURRENT-LIABILITIES>	969,796	651,438
<BONDS>	0	0
<PREFERRED-MANDATORY>	0	0
<PREFERRED>	0	0
<COMMON>	1,086	717
<OTHER-SE>	268,620	203,562
<TOTAL-LIABILITY-AND-EQUITY>	1,244,334	859,082
<SALES>	0	0
<TOTAL-REVENUES>	218,583	166,042
<CGS>	0	0
<TOTAL-COSTS>	135,942	101,333
<OTHER-EXPENSES>	0	0
<LOSS-PROVISION>	0	0
<INTEREST-EXPENSE>	0	0
<INCOME-PRETAX>	32,545	23,582
<INCOME-TAX>	9,471	6,509
<INCOME-CONTINUING>	23,074	17,073
<DISCONTINUED>	0	0
<EXTRAORDINARY>	0	0
<CHANGES>	0	0
<NET-INCOME>	23,074	17,073
<EPS-PRIMARY>	.21	.16
<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.
<F2>Prior to May 1997, the Company did not report the Electronic Network Services (ENS) funds as assets and liabilities based on its understanding of the nature of the funds and industry practices. Due to recent changes in case law, the Company restated previously reported consolidated financial statements to reflect the ENS funds and related client deposits as current assets and current liabilities on the consolidated balance sheets. This restatement had no effect on previously reported net income or earnings per share.
</FN>

</TABLE>