

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, 1996

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

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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 26, 1997

PAYCHEX 401(k) INCENTIVE RETIREMENT PLAN

By: /s/ Francis G. Provino

Francis G. Provino
401(k) COMMITTEE MEMBER

ERNST & YOUNG LLP

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 as of December 31, 1996 and 1995, 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, 1996 and 1995, 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, 1996 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 1996 financial statements and, in our opinion, are fairly stated in all material respects in relation to the 1996 financial statements taken as a whole.

April 16, 1997 /s/ Ernst & Young LLP
 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

<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>
Interest and dividend income \$ 249,231	\$ 2,213,420	\$ 436,130	\$ 252,674	\$ 997,995	\$ 272,664	\$ 4,726
Net appreciation in fair market value of investments -	26,552,916	25,548,295	549,162	332,578	-	122,881
- Notes A & D Contributions: Participants	6,992,391	4,800,726	734,859	951,367	418,861	86,578
- Paychex, Inc.	2,393,697	1,626,893	247,861	319,456	174,691	24,796
-						
249,231	38,152,424	32,412,044	1,784,556	2,601,396	866,216	238,981
Withdrawals by terminated participants	(4,105,947)	(2,703,140)	(425,286)	(522,217)	(446,936)	(8,368)
- Transfers between funds 755,448	-	203,740	(931,193)	(1,230,822)	414,503	788,324
NET INCREASE	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 2,939,208	66,464,090	46,378,918	6,303,545	6,905,781	3,936,638	-
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 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, 1995

<TABLE>
<CAPTION>

	Combined Funds	Paychex, Inc. Common Stock Fund	Growth and Income Fund	Equity Fund	Stable Value Fund
Interest and dividend income \$ 167,065	\$ 1,923,627	\$ 261,406	\$ 219,821	\$ 1,047,881	\$ 227,454
Net appreciation in fair market value of investments -	21,952,709	20,518,948	1,060,025	373,736	-
Contributions: Participants	5,451,478	3,345,691	786,486	833,760	485,541
Paychex, Inc.	1,972,363	1,220,851	256,866	313,537	181,109
NET INCREASE	28,457,574	23,289,692	1,999,602	2,059,434	384,646
Net assets available for benefits at beginning of year 2,215,008	38,006,516	23,089,226	4,303,943	4,846,347	3,551,992
NET ASSETS AVAILABLE FOR BENEFITS	\$66,464,090	\$46,378,918	\$ 6,303,545	\$ 6,905,781	\$ 3,936,638
\$ 2,939,208					

</TABLE>

See notes to financial statements.

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

<TABLE>
<CAPTION>

Paychex, Inc. Common	Growth and	Stable	Inter-national
----------------------	------------	--------	----------------

Loan Fund	Combined Funds	Stock Fund	Income Fund	Equity Fund	Value Fund	Equity Fund
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Investments at market value:						
Common Stock of Paychex, Inc. - 1,441,371 Shares (Cost \$15,780,069)	\$ 74,140,260	\$ 74,140,260				
IVT Total Return Fund - 277,021 Shares (Cost \$5,576,820)	6,731,622		\$ 6,731,622			
Invesco Growth Fund - 1,494,054 Shares (Cost \$7,753,188)	7,754,138			\$ 7,754,138		
Invesco Stable Value Fund - 4,770,421 Shares (Cost \$4,770,421)	4,770,421				\$ 4,770,421	
Global Asset Management Fund - 44,015 Shares (Cost \$906,659)	1,018,937					\$ 1,018,937
Invesco Funds Group - IMF - Cash Reserves (Cost \$2,151,302)	2,151,302	\$ 2,151,302				
Participant Loans Receivable	3,943,887					
\$ 3,943,887						
TOTAL ASSETS	\$100,510,567	\$ 76,291,562	\$ 6,731,622	\$ 7,754,138	\$ 4,770,421	\$ 1,018,937
\$ 3,943,887						
LIABILITIES						
Withdrawals payable to terminated participants - Note E	-	-	-	-	-	-
-						
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 notes to financial statements.

PAYCHEX, INC. 401(K) INCENTIVE RETIREMENT PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS,
WITH FUND INFORMATION
DECEMBER 31, 1995

<TABLE>
<CAPTION>

Loan Fund	Combined Funds	Paychex, Inc. Common Stock Fund	Growth and Income Fund	Equity Fund	Stable Value Fund
<S> <C>	<C>	<C>	<C>	<C>	<C>

ASSETS

Investments at market value:

Common Stock of Paychex, Inc. -

916,255 Shares
(Cost \$11,999,017) \$45,709,807 \$45,709,807

IVT total Return Fund -

282,164 Shares
(Cost \$5,314,024) 6,303,545 \$ 6,303,545

Invesco Growth Fund -

1,395,107 Shares

(Cost \$7,103,841)	6,905,781			\$ 6,905,781	
Invesco Stable Value Fund - 3,936,638 Shares (Cost \$3,936,638)	3,936,638				\$ 3,936,638
Invesco Funds Group - IMF - Cash Reserves (Cost \$669,111)	669,111	\$ 669,111			
Participant Loans Receivable	2,939,208				
\$ 2,939,208					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	66,464,090	46,378,918	6,303,545	6,905,781	3,936,638
2,939,208					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES					
Withdrawals payable to terminated participants - Note E	-	-	-	-	-
-					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS AVAILABLE FOR BENEFITS	\$66,464,090	\$46,378,918	\$ 6,303,545	\$ 6,905,781	\$ 3,936,638
\$ 2,939,208					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

</TABLE>

See 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 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 reported in the financial statements. Actual results could differ from those estimates.

NOTE B. PLAN DESCRIPTION AND 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, 1996	December 31, 1995
	<hr/>	<hr/>
Paychex, Inc. Common Stock Fund	2,797	2,196
Growth & Income Fund	1,235	1,106
Equity Fund	1,571	1,329
Stable Value Fund	1,006	983
International Equity Fund	277	-

</TABLE>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Employees may contribute up to 10% of their compensation to the Plan through payroll deductions, subject to the limit established by the Internal Revenue Code, which was \$9,500 for 1996 and \$9,240 for 1995. 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.

Each participant is fully vested as to their elective contributions and rollover contributions as well as earnings 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 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%.

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 restated 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 was computed 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, 1995:					
Amount realized	\$11,901,167	\$ 9,004,503	\$ 1,311,886	\$ 1,584,778	\$ -
Average cost	11,242,845	8,495,844	1,172,172	1,574,829	-
Net realized gain	\$ 658,322	\$ 508,659	\$ 139,714	\$ 9,949	\$ -
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, 1995:					
Balance at beginning of year	\$13,207,864	\$13,700,501	\$ 69,210	\$ (561,847)	\$ -
Change for the year	21,294,387	20,010,289	920,311	363,787	-
Balance at end of year	\$34,502,251	\$33,710,790	\$ 989,521	\$ (198,060)	\$ -
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, 1996. Amounts allocated to withdrawn participants are required to be recorded on Form 5500. The following is a reconciliation of net assets available for benefits at December 31, 1996 per the financial statement to the 1996 Form 5500:

<TABLE>
<CAPTION>

	December 31, 1996 <C>
Net assets available for benefits per Statement of Net Assets Available for Benefits by Funds and Combined-December 31, 1996	\$ 100,510,567
Amounts allocated to withdrawn participants	(385,764)
Net assets available for benefits per the Form 5500	\$ 100,124,803

</TABLE>

The following is a reconciliation of benefits paid to participants per the 1996 financial statements to the 1996 Form 5500:

<TABLE>
<CAPTION>

	Year ended December 31, 1996 <C>
Withdrawals by Terminated Participants per Statement of Changes In Net Assets Available for Benefits by Funds and Combined - December 31, 1996	\$ 4,105,947
Add: Amounts allocated to withdrawn participants at December 31, 1996	385,764
Deduct: Amounts allocated to withdrawn participants at December 31, 1995	(608,351)
Benefits paid to participants per the Form 5500	\$ 3,883,360

</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 401K 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G. SUBSEQUENT EVENT

Effective January 1, 1997 the Plan was amended to allow employees to contribute 15% of their compensation through payroll deductions, subject to the limit established by the Internal Revenue Code.

The market value of Paychex, Inc. Common Stock was \$51.44 on 12/31/96 and \$44.00 on 4/16/97.

On April 10, 1997, the Company declared a 3 for 2 stock split payable May 29, 1997 to shareholders of record as of May 8, 1997. All Paychex per share amounts included in these Financial Statements have not been restated to reflect this stock split.

SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES
PAYCHEX, INC. 401 (K) INCENTIVE RETIREMENT PLAN
DECEMBER 31, 1996

<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> Paychex, Inc. Common \$74,140,260 Stock Fund	Paychex, Inc.	1,441,371 shares of common Stock	\$15,780,069
2,151,302	Invesco Funds Group	2,151,302 shares of the IMF- Cash Reserves Fund	2,151,302
			\$17,931,371
\$76,291,562			
Growth and Income Fund 6,731,622	Invesco Funds Group	277,021 shares of the IVT Total Return Fund	5,576,820
Equity Fund 7,754,138	Invesco Funds Group	1,494,054 shares of the Invesco Growth Fund	7,753,188
Stable Value Fund 4,770,421	Invesco Funds Group	4,770,421 shares of the Invesco Stable Value Fund	4,770,421
International Equity Fund 1,018,937	Global Asset Management Funds, Inc.	44,015 shares of the Global Asset Management Fund	906,659
3,943,887	Participant Loans	*	3,943,887
			\$40,882,346

</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, 1996

<TABLE>
<CAPTION>

Gain (Loss)	Identity of Issue, Borrower, Lessor, or Similar Party	Description of Investment	Purchase Price	Sales Price	Cost of Asset	Current Value As of Trans- action Date
Category (iii) - A series of securities transactions in excess of 5% of plan assets:						
<S> Paychex, Inc. Common Stock Fund	Invesco Funds Group	IMF-Cash Reserves	<C> 15,448,539	<C> 13,966,348	<C> 15,448,539 13,966,348	<C> 15,448,539 13,966,348
	Invesco Funds Group	Paychex, Inc. Common Stock	4,027,465		4,027,465	4,027,465
Equity Fund	Invesco Funds Group	Invesco Growth Fund	3,760,084		3,760,084	3,760,084
Stable Value Fund	Invesco Funds Group	IRT Stable Value Fund	4,946,499	4,112,716	4,946,499 4,112,716	4,946,499 4,112,716

</TABLE>

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

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements below, of our report dated April 16, 1997, 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, 1996.

- a. Form S-8 - Paychex, Inc. 401(k) Incentive Retirement Plan as filed with the Securities and Exchange Commission on December 18, 1987 (No. 33-19153) together with Post Effective Amendment No. 1 filed November 29, 1988.
- b. 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).

June 23, 1997

/s/ Ernst & Young LLP