

State of Alabama



Department of Finance
Office of the Comptroller
Montgomery, Alabama 36130-2602

TO: Agency Accounting Contacts
DATE: September 26, 2016
SUBJECT: IMPORTANT NOTICE – State Tax Withholding

For your information.

Sincerely,

Tom White

From: Turner, Jerry
Sent: Monday, September 26, 2016 11:21 AM

Subject: FW: MPORTANT NOTICE: State Tax Withholding

To: Payroll/Personnel Officers

IMPORTANT NOTICE: State Tax Withholding

Employers are required to withhold state taxes on all wages paid to employees. Alabama Department of Revenue is emphasizing all agencies must have a properly completed and signed State Tax Withholding Form A-4 for each employee to claim withholding allowances. If an employee does not submit a Form A-4, employing agency is **required** to withhold state income tax as if he or she is single with zero withholding allowances (Single -0).

Current withholding certificates code section is 40-18-73 (copy attached). Specific State A-4 Requirement for Employees Claiming Exemption or exceeding maximum allowances on State Withholding are stated as follows:

- Legislative Act 2015-504 (copy attached) repealed the total withholding exemption. Employees are **not allowed** to claim state Exempt status. Questions regarding exemption for Military Spouses, Non Residents or any other special exemption status should be directed to Department of Revenue at the contact information below.
- Employing state agency must notify the Department of Revenue of any withholding exemption certificates where the employee claims **eight or more** exemptions. Failure to do so shall result in penalty. Notify by mail at Alabama Department of Revenue, Withholding Tax Section, P.O. Box 327480, Montgomery, Alabama 36132 or Contact by phone at (334)242-1300 or by fax at (334)242-0112.

- If the employee does not file a Form A-4 withholding exemption certificate, employer must withhold as single with zero withholding allowances (Single 0) until the employee submits a properly completed Form A-4.

For employees in the payroll system currently claiming Exempt for State taxes or claiming 8 or more number of allowances, **immediate action** is required. Agencies will be notified **by separate email** of any employees within their agency who are claiming State Exemption or claiming over the maximum allowances. This notice will ensure employees are given an opportunity to file a correct A-4 with the proper number of withholdings from their wages.

Attached is the current ADOR Form A-4. Part II includes specific Employer instructions concerning an employee claiming more exemptions than legally entitled or 8 or more dependent exemptions. Please ensure all employees are made aware of this notice and that each employee has a properly completed form on file. A-4 withholding allowances remain in effect until the employee completes a new form.

Contact GHRIS Hotline 334-242-2188 if you have any questions or need additional information.

Act 2015-504 (HB 42)

Creates the Alabama Taxpayer and Fraud Prevention Act

This act creates the Alabama Taxpayer and Fraud Prevention Act; amends Section 40-18-73; repeals the total withholding exemption; requires all employers to withhold taxes on all wages paid to employees; individual employees will file an individual income tax return with the Department of Revenue and can claim a refund if the taxpayer is entitled; Revenue may provide downloadable withholding forms in English and other languages on the Departmental website.

Effective Date: September 1, 2015

Section 40-18-73**Withholding certificates.**

(a) Every employee, on or before the date of commencement of employment, shall furnish his or her employer with a signed Alabama withholding exemption certificate relating to the number of withholding exemptions which he or she claims, which in no event shall exceed the number to which the employee is entitled. In the event the employee inflates the number of exemptions allowed by this Chapter on Form A-4, the employee shall pay a penalty of five hundred dollars (\$500) for such action pursuant to Section 40-29-75.

(b) Due to the fact that the federal exemptions differ significantly from Alabama law, federal Form W-4 is not an acceptable filing under this section; rather Alabama Form A-4 must be utilized to comply with this section. The Department of Revenue may provide downloadable withholding forms in English and other languages on the department website.

(c) In the event the employee fails to furnish the employer a signed Alabama Form A-4, the employer must withhold on such employee's wages using no exemptions.

(d) Withholding exemption certificates shall take effect upon the beginning of the employee's first payroll period, or the first payment of wages made without regard to a payroll period, after the date on which the certificate is completed and submitted.

(e) A withholding exemption certificate which takes effect under this section shall continue in effect with respect to the employer until another certificate takes effect under this section. If a withholding exemption certificate is submitted to take the place of an existing certificate, the employer, at his or her option, may continue the old certificate in force with respect to all wages paid on or before the first status determination date and adjust the withholding on January 1 or July 1, whichever occurs at least 30 days after the date on which the new certificate is furnished, or may adjust the withholding immediately.

(f) If, on any day during the calendar year, the number of withholding exemptions to which the employee may reasonably be expected to be entitled at the beginning of his or her next taxable year is different from the number to which the employee is currently entitled, the employee shall, according to rules established by the department, provide the employer with a withholding exemption certificate relating to the number of exemptions which he or she claims with respect to the next taxable year, which shall not exceed the number to which he or she may reasonably be expected to be so entitled. Exemption certificates issued pursuant to this subsection shall not take effect with respect to any payment of wages made in the calendar year in which the certificate is submitted.

(g) Whenever the number of exemptions of an employee either increases or decreases, the employee shall submit to the employer a new exemption certificate which accurately states the true number of exemptions to which that employee is entitled.

(h) An employer must submit to the department a copy of any withholding exemption certificates where the employee claims eight or more exemptions. Employers failing to provide such withholding exemption certificates within 60 days of the date employment begins, shall be subject to the "failure to timely file" penalty of fifty dollars (\$50) per certificate.

(i) Withholding exemption certificates shall be in the form and contain that information which the department may require, and be submitted in accordance with regulations which the department shall prescribe.

(Acts 1955, No. 289, p. 661, §4; Act 98-468, p. 903, §1; Act 2007-199, p. 234, §5; Act 2015-504, 1st Ex. Sess., §3.)



Employee's Withholding Tax Exemption Certificate

Every employee, on or before the date of commencement of employment, shall furnish his or her employer with a signed Alabama withholding exemption certificate relating to the number of withholding exemptions which he or she claims, which in no event shall exceed the number to which the employee is entitled. In the event the employee inflates the number of exemptions allowed by this Chapter on Form A4, the employee shall pay a penalty of five hundred dollars (\$500) for such action pursuant to Section 40-29-75.

Part I – To be completed by the employee

EMPLOYEE NAME		EMPLOYEE SOCIAL SECURITY NUMBER	
STREET ADDRESS	CITY	STATE	ZIP CODE

HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

- If you claim no personal exemption for yourself and wish to withhold at the highest rate, write the figure "0", sign and date Form A4 and file it with your employer. _____
- If you are SINGLE or MARRIED FILING SEPARATELY, a \$1,500 personal exemption is allowed. Write the letter "S" if claiming the SINGLE exemption or "MS" if claiming the MARRIED FILING SEPARATELY exemption. _____
- If you are MARRIED or SINGLE CLAIMING HEAD OF FAMILY, a \$3,000 personal exemption is allowed. Write the letter "M" if you are claiming an exemption for both yourself and your spouse or "H" if you are single with qualifying dependents and are claiming the HEAD OF FAMILY exemption. _____
- Number of dependents (other than spouse) that you will provide more than one-half of the support for during the year. See *dependent qualification below*. _____
- Additional amount, if any, you want deducted each pay period. _____ \$
- This line to be completed by your employer:** Total exemptions (example: employee claims "M" on line 3 and "2" on line 4. Employer should use column M-2 (married with 2 dependents) in the withholding tables). _____

Under penalties of perjury, I certify that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's Signature _____ Date _____

Part II – To be completed by the employer

EMPLOYER NAME		EMPLOYER IDENTIFICATION NUMBER (EIN)	
ADDRESS	CITY	STATE	ZIP CODE

Employers are required to keep this certificate on file. If the employee is believed to have claimed more exemption than legally entitled or claims 8 or more dependent exemptions, the employer should contact the Department at the following address or phone number for verification: Alabama Department of Revenue, Withholding Tax Section, P.O. Box 327480, Montgomery, AL 36132-7480, by phone at (334) 242-1300, or by fax at (334) 242-0112. If the employee does not qualify for the exemptions claimed upon verification, the employer is required to withhold at the highest rate until the employee submits a corrected Form A4 reflecting the proper exemption they are entitled to claim.

DEPENDENTS: To qualify as your dependent (Line 4 above), a person must receive more than one-half of his or her support from you for the year and must be related to you as follows:
Your son or daughter (including legally adopted children), grandchild, stepson, stepdaughter, son-in-law, or daughter-in-law;
Your father, mother, grandparent, stepfather, stepmother, father-in-law, or mother-in-law;
Your brother, sister, stepbrother, stepsister, half-brother, half-sister, brother-in-law, or sister-in-law;
Your uncle, aunt, nephew, or niece (but only if related by blood).