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MEMORANDUM

TO: All Payroll and Personnel Officers
Accounting Contacts

FROM: Kathleen D. Baxter
State Comptroller

DATE: January 23, 2023

SUBJECT: IRS W-4 Requirement - Employee Exemption from Federal Withholding

All agencies should have an IRS Form W-4 properly completed and signed by each employee to claim withholding allowances. If an employee does not submit a Form W-4, the employing agency is required to withhold federal income tax as if the employee is single with no other adjustments. The Form W-4 withholding allowances remain in effect until the employee completes a new form except for employees who claim exemption from federal withholding.

Specific IRS W-4 Requirement for Employees Claiming Exemption from Federal Withholding:

A Form W-4 claiming exemption from withholding is effective when it is filed with the employer only for that calendar year. Each calendar year the employee must complete a new Form W-4 by February 15. If they do not, their withholding reverts to the last valid Form W-4 that did not claim an exemption or single with no other adjustments. For employees in the payroll system claiming exempt that do not have a current Form W-4 on file**, immediate action** is required.

- Request each exempt employee file a new W-4 for this calendar year
- If the employee does not file a new W-4 before the next payroll cutoff date, change their withholding to the last valid W-4 that did not claim an exemption or single with no other adjustments.

IRS Lock-in Letters: The IRS issues employee Lock-in letters if the IRS determines taxpayer withholding is not correct. IRS Lock-in letters supersede an employee filed W-4. Agencies are required to change withholding as stated in the Lock-in letter.

A report listing employees in your agency currently claiming EXEMPT for federal taxes is available on the Comptroller's website. The report is entitled "**EMPLOYEES WITH TAX CLASS N OR S"** and is only available to authorized users.

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

KDB/ds