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Payroll Letter 794

To: Payroll Officers, Personnel Officers, Labor Relations Officers and Fiscal Officers of All Departments, Institutions, Boards and Commissions

From: Robert L. Cruse, State Payroll Administrator

Subject: Employee Withholding Allowance Certificates

The State of Ohio withholds federal and state income taxes based on an employee's representation of the appropriate withholding status. The Employee's Withholding Allowance Certificate (**IRS Form W-4**) is used to establish the appropriate number of withholding allowances so that the proper amount of federal income tax is withheld from employees' pay. The Employee's Withholding Exemption Certificate (**IT Form 4**) is used to indicate the number of exemptions claimed for state income tax purposes. The W-4 is available on the IRS web site (http://ftp.fedworld.gov/pub/irs-pdf/fw4_00.pdf) and the IT-4 on the State Department of Taxation web site (<http://www.state.oh.us/tax/forms/Employer/it-4.pdf>).

A Form W-4 and IT-4 remains in effect until the employee provides a new one to the employee's payroll officer. If an employee provides a Form W-4 or IT-4 that replaces the existing form, agencies must begin withholding no later than the first pay period that ends on or after the 30th day from the date the replacement form was received. For exceptions, see **Exemption from Income Tax Withholding**, and **Invalid Forms W-4 below**.

COMPLETION OF EMPLOYMENT TAX FORMS BY NEW EMPLOYEES

DAS' default setting for new employee federal and state tax reporting is single with zero withholding allowances (new employee payroll records (PAYU) are created with a status of S0). Employees need to complete the W-4 and IT-4 as part of their employee orientation. The payroll records should then be updated to reflect the appropriate taxing information. After posting the payroll record, retain the original of the W-4 & IT-4 in the employee's records.

EXEMPTION FROM INCOME TAX WITHHOLDING

Employees may claim exemption from federal withholding if they meet **both** of the following conditions:

1. During the previous year the employee had a right to a refund of **ALL** federal income tax withheld because the employee had **NO** tax liability **AND**
2. During the current year the employee expects a refund of **ALL** Federal Income tax withheld because the employee expects to have **NO** tax liability.

Only State Payroll Services has the authority to post exempt status to payroll. We will post the exempt status no later than the first pay period that ends on or after the 30th day from the date we receive the replacement Form W-4. An employee wishing to claim exemption from withholding must provide the following documentation to validate their adherence to the conditions described above.

- * IRS Form W-4 (Employee's Withholding Allowance Certificate claiming exemption
- * Form 1040 (U.S. Individual Income Tax Return) showing that they did not owe **ANY** taxes for the previous year or that they received a full refund of their taxes
- * Written notarized statement that the employee expects a refund of **ALL** Federal Income tax withheld during the current year because the employee expects to have **NO** tax liability

An employee renewing a claim for exemption from withholding must complete the documentation described above and you must submit this documentation to State Payroll Services by February 15 to maintain "exempt" status (faxed copies to 614-466-1565 are acceptable). If the employee does not complete a new Form W-4 by February 15, we will begin withholding federal income tax as if the employee were single, with zero withholding allowances, beginning on the pay period that includes February 16 or the next pay period if payroll has already closed. It is the agency's responsibility to monitor the submission of the W-4s to ensure compliance with the deadline.

The State of Ohio Department of Taxation has no provisions to allow taxpayers to claim exemption from State Income Tax.

Send copies of all required documentation to State Payroll Services at the following address.

Payroll Accounting Supervisor
State Payroll Services
Department of Administrative Services
30 E. Broad Street, 29th Floor
Columbus, Ohio 43215-3414 614-466-1565 (fax)

EMPLOYEES CLAIMING MORE THAN 10 WITHHOLDING ALLOWANCES

Only State Payroll Services has the authority to post federal withholding for any employee that wishes to claim more than 10 withholding allowances. Send a copy of the W-4 to the Payroll Accounting Unit as soon as possible. We will post the requested allowances no later than the first pay period that ends on or after the 30th day from the date we receive the replacement Form W-4.

SENDING CERTAIN FORMS W-4 TO THE IRS

We are required to notify the IRS of any employee that is claiming exemption from federal withholding tax or is claiming more than 10 withholding allowances.

POSTING TO PAYROLL

For all other employees post federal income withholding allowances in the field labeled "Ftx" indicating the marital status and number of allowances (i.e. "M3").

M = married
S = single

Post state income withholding allowances in the field labeled "OH" indicating the number of allowances only.

INVALID FORMS W-4

Any unauthorized change or addition to Form W-4 makes it invalid. This includes taking out any language by which the employee certifies that the form is correct. A Form W-4 is also invalid if, by the date an employee gives it to you, he or she indicates in any way that it is false. An employee who files a false Form W-4 may be subject to a \$500 penalty.

When you get an invalid Form W-4, do not use it to figure withholding. Tell the employee it is invalid and ask for another one. If the employee does not give you a valid one, withhold taxes as if the employee were single and claiming no withholding allowances. However, if you have an earlier Form W-4 for this worker that is valid, withhold as you did before.

DAB/db