Top 10 Form W-4 tips for 2015
View this document and our other payroll essentials online at:
or use the search term “EY year-end checklist”
Spring is in the air, and that means it’s time for employees to get their tax matters in order for 2015. With the 2014 tax-filing season now over for most employees, they likely already know about changes they may need to make to their Form W-4, Employee Withholding Allowance Certificate. To assist payroll departments in dealing with the myriad issues likely to arise at this time of year, we offer the top 10 Form W-4 questions of 2015 and an update to our annual state Form W-4 survey.

### Top 10 Form W-4 tips for 2015

<table>
<thead>
<tr>
<th>Tip</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Don’t accept Forms W-4 that are invalid</td>
</tr>
<tr>
<td>2</td>
<td>Keep in mind you have 30 days to process Form W-4 changes</td>
</tr>
<tr>
<td>3</td>
<td>Be sure to retain a history of Form W-4 changes</td>
</tr>
<tr>
<td>4</td>
<td>Use only acceptable methods for computing income tax withholding</td>
</tr>
<tr>
<td>5</td>
<td>Remember that lock-in letters may trump the Form W-4</td>
</tr>
<tr>
<td>6</td>
<td>Always compare the name on the Form W-4 to your tax files</td>
</tr>
<tr>
<td>7</td>
<td>Remember that US nonresident aliens are subject to special Form W-4 rules</td>
</tr>
<tr>
<td>8</td>
<td>Be certain to obtain the applicable state nonresident certificate before excluding wages from income tax withholding</td>
</tr>
<tr>
<td>9</td>
<td>File state withholding allowance certificates when and where required</td>
</tr>
<tr>
<td>10</td>
<td>Don’t assume the Federal Form W-4 is used for state income tax withholding purposes (see our survey on page 10)</td>
</tr>
</tbody>
</table>

### Tip 1

Don’t accept Forms W-4 that are invalid

Employers are frequently concerned about their liability when they suspect that employees are submitting Forms W-4 that do not truthfully reflect their estimated tax liability. For instance, some employees may submit frequent Form W-4 changes in order to increase their take-home pay or to avoid income tax withholding altogether on special wage payments.

The fact is, the IRS offers specific guidelines for establishing when a Form W-4 is invalid and should consequently be rejected by the employer. Merely suspecting that a Form W-4 is false is not sufficient reason to reject it.

What is an invalid Form W-4? Under IRS regulations, a Form W-4 is invalid if any of the required information is missing or the employee doesn’t sign the form. In addition, a Form W-4 is invalid if the official language on the form is deleted or otherwise “defaced,” including alteration of the perjury statement (the “jurat”), or there is an addition of an entry or language that is not provided on the official form. Finally, the IRS explains in Circular E, Employer’s Tax Guide, that if, on the date employees give you the form, they indicate in any way that the information provided is false, the Form W-4 is invalid. (Treas. Reg. §31.3402(f)(5)-1(b); IRS Publication 15, Circular E, Employer’s Tax Guide, rev. 2015.)

What should you do when an invalid Form W-4 is provided? Employers are required to reject any Form W-4 that is known to be invalid and continue withholding based on the prior Form W-4 filed by the employee. If there is no prior Form W-4 on file, employers are required to compute federal income tax withholding as though the employee claimed single with zero allowances.

It is the employer’s responsibility to verify the accuracy of an employee’s Form W-4, and unless the form is clearly invalid, there are no sanctions imposed against employers for withholding based on a Form W-4 containing false information. Employees, on the other hand, are subject to a penalty of $500 for falsifying the Form W-4. (IRS Publication 15, Circular E, Employer’s Tax Guide, rev. 2015.)

What about Social Security Number (SSN) errors and omissions. Clearly, if the employee does not complete all the lines on the Form W-4, particularly those requiring their name and SSN, the form is invalid and must be rejected. The Social Security Administration (SSA) considers an SSN or Taxpayer Identification Number (TIN) missing if it does not have nine numbers or if it includes an alpha character (i.e., a symbol other than an Arabic numeral); therefore, a Form W-4 under these circumstances should also be rejected.

As previously explained, when the Form W-4 is rejected, employers withhold federal income tax based on the previous Form W-4 submitted by the employee. If none was submitted, withhold federal income tax as though the employee claimed single and zero allowances.

If the SSN shown on the Form W-4 is still missing or invalid at the time that Forms W-2 are issued, employers could face a penalty for both the Form W-2 employee copy and the copy filed with the SSA unless it takes certain steps.
These follow-up steps for obtaining a penalty waiver for missing or incorrect reporting of a name or SSN are explained in IRS Publication 1586, Reasonable Cause Regulations and Requirements for Missing and Incorrect Name/TINs:

1. **IRS notice received concerning missing SSN.** If employers receive a penalty notice based on a failure to include the employee’s SSN on the Form W-2, and the employer seeks a waiver of the penalty based on the failure of the employee to provide the SSN, the following steps demonstrate that the employer acted responsibly:
   - The employer can demonstrate that you made an initial solicitation for the SSN in person, by mail, electronically or by telephone at the time the employee began work. (For example, the employer can provide a copy of the Form W-4 provided by the employee with the missing or incorrect SSN.)
   - The employer made an annual solicitation for the employee’s SSN during the same calendar year (or by January 31 of the following year for employees who began work during the preceding December). If the employer still did not receive a valid SSN, the employer makes a second annual solicitation by December 31 of the year following the calendar year in which the employee began work. The annual solicitations may be made in person, by mail, electronically or by telephone.

2. **IRS notice concerning invalid SSN.** If the employer received a penalty notice based on a failure to include the correct SSN on the Form W-2, and the employer seeks a waiver of the penalty based on the failure of the employee to provide the correct SSN, the following steps demonstrate that the employer acted responsibly:
   - The employer can demonstrate that you made the initial solicitation for the employee’s correct SSN at the time the employee began work, and that you used the SSN provided by the employee (e.g., the employer has a copy of the Form W-4 originally filed by the employee wherein no SSN or an invalid SSN was provided).
   - Following receipt of an IRS notice, the employer made an annual solicitation for the correct SSN. If another IRS notice is received in a subsequent year, a second annual solicitation is made. The annual solicitations must be made by December 31 of the year in which the penalty notices are received (or by January 31 of the following year if the notice is received during the preceding December). Solicitations may be made by mail, telephone, electronically or in person. A solicitation is not required if no reportable payments will be made to the employee in that year. The SSN provided by the employee in response to a solicitation must be used by you on Forms W-2 due subsequent to receipt of the corrected SSN.

If the employer receives further IRS notices because of a missing or incorrect SSN after making two annual solicitations, the employer is not required to make further solicitations. The employer’s initial and two annual solicitations demonstrate it acted responsibly before and after the failure, and documentation of these steps will establish reasonable cause under the regulations for any penalty to be abated.
Tip 2
Keep in mind you have 30 days to process Form W-4 changes

Some employees change their Forms W-4 frequently depending on how much money they require to pay upcoming expenses. In other cases, employees submit Form W-4 changes at, near or after a wage payment and expect the change will be immediately or retroactively incorporated in the federal income tax withholding tax calculation.

The IRS does not restrict the number of Forms W-4 an employee may file in a year. However, employers are given ample time to process Form W-4 changes, which could have the same result as limiting the number of Forms W-4 processed annually for an employee.

Specifically, IRS regulations stipulate that a revised Form W-4 must be put in effect no later than the start of the first payroll period ending on or after the 30th day from the date you received it. ([IRC §3402(f)(3)(B)(i); IRS Publication 15, Circular E, Employer’s Tax Guide, rev. 2015.])

Example 1. Employee Daniel submitted a revised Form W-4 to his employer on June 12, 2015. Daniel is paid semimonthly, on the 15th and the last day of the month. His employer must apply the changes on this Form W-4 no later than the first payroll period following July 12 (30 days following June 12), or in this case, no later than Wednesday, July 15, 2015.

Employers are not required to apply Form W-4 changes retroactively, and they should consider the prudence of implementing a policy that generally prohibits this practice.

Tip 3
Be sure to retain a history of Form W-4 changes

For large employers in particular, the question of retaining Form W-4 historical data is a significant one. For instance, if an employer has 10,000 employees working across the US, it would not be unusual for 20% of the workforce, or 2,000, to submit federal (and state) Form W-4 changes each year.

Accordingly, the question arises: does the employer retain all of the Forms W-4 (and state allowance certificates) that are submitted, or just the most recent form submitted?

For federal income tax purposes, all Forms W-4 that were superseded by a revised Form W-4 must be retained for a period of no less than four years from the date taxes were due or paid based on the Form W-4. A Form W-4 that is not superseded must be retained by the employer for up to four years following the employee’s termination.

Example 2. When employee Jim was hired in 2011, he submitted a Form W-4 claiming married with one allowance. On December 26, 2015, he submitted a revised Form W-4 claiming married and zero allowances.

The Form W-4 submitted in 2011 must retained for four years starting on April 15, 2012, or until April 15, 2016. As a result, through April 15, 2016, the employer must have two Forms W-4 on file for employee Jim: the form submitted in 2011 and the form submitted on December 26, 2015. The Form W-4 submitted on December 26, 2015, must be retained for as long as it remains in effect and for up to four years following Jim’s termination (assuming he doesn’t submit another Form W-4 before then).

It is clear to see how paper files can become unruly. For instance, if an employer has 2,000 Form W-4 paper submissions each year, that’s 8,000 forms that must be archived for a four-year period.

And if employees work in states that require a separate withholding allowance certificate, the paper count could substantially increase. This is one of the reasons why electronic systems for gathering this information have become so popular in recent years.

For more information on IRS requirements governing electronic retrieval and storage of Forms W-4, see T.D. 8706 and IRS Reg. §31.3402(f)(5)1(c).
Tip 4
Use only acceptable methods for computing federal income tax withholding

Employees frequently submit a Form W-4 or letter requesting that the employer withhold a flat percentage or dollar amount from their regular wages and/or bonus payments. Interestingly, it may sometimes also be the case that an employee receiving a bonus or equity compensation may request supplemental withholding in excess of 25% or 39.6%.

Whether an employee's request for flat tax withholding is made pursuant to regular or supplemental wages, employers should be mindful of the IRS rules governing the Form W-4 and the allowable methods for computing federal income tax withholding.

Flat tax request on Form W-4. In the 2015 Form W-4 instructions, the IRS clarifies that a flat percentage of withholding is not allowed and that a flat dollar amount is allowed only in addition to a prescribed withholding tax method (e.g., percentage method, wage bracket table). A Form W-4 must be altered to request flat tax withholding, and that makes the Form W-4 invalid. (See Tip 1.)

Exception for supplemental wages. Even in the case of supplemental wages, where the Form W-4 is disregarded, a flat tax rate of 25% applies only when the employer chooses to use that withholding method, and only when certain requirements are met (e.g., federal income tax was withheld on regular wages in the current or preceding year). For supplemental wages in excess of $1 million in the calendar year, use of the flat tax rate of 39.6% is mandatory. Employers should not use rates other than the prescribed 25% or 39.6% on supplemental wages without discussing it with their tax advisor.

What employees should do to adjust their federal income tax withholding. Generally, employees request flat dollar or percentage withholding so that federal income tax withholding (FITW) matches their anticipated tax liability for the year.

To accomplish this goal, employees should instead fill out the worksheet provided with the Form W-4 and use the fields on the form for marital status, allowances and additional withholding to arrive at the desired withholding amount.

The IRS provides a withholding calculator on its website to help employees determine the correct marital status and withholding allowances to claim on the Form W-4. Employees may also benefit from any of the IRS resources shown on page 9. (IRC §3402(a)(1); Publication 15, Circular E, Employer’s Tax Guide, rev. 2015.)
Tip 5

Remember that IRS lock-in letters generally trump the Form W-4

Since 2005, the IRS has relied on a computerized program that uses information reported on the Form W-2 to identify instances where there is significant underwithholding of federal income tax. As a result of a material difference between federal income tax owed and the federal income tax withheld, the IRS may send the employer a lock-in letter that specifies the marital status and maximum number of allowances an employee may claim for federal income tax withholding.

It is generally the case that the information contained in the IRS lock-in letter will trump the employee’s Form W-4, particularly if using the employee’s Form W-4 will result in less income tax withholding than required by the lock-in letter.

Employers must withhold federal income tax using the withholding allowances and marital status specified in the lock-in letter for any wages paid after the date specified in the letter, except as provided below. You are required to withhold federal income tax according to the lock-in letter as of the date specified, which is generally computed to be 45 calendar days after the date of the lock-in letter.

If a Form W-4 is in effect before you receive a lock-in letter, you should continue withholding based on that Form W-4 if the current Form W-4 does not claim exemption from withholding and claims a marital status, withholding allowances and additional withholding that result in more withholding than would result from following the instructions in the lock-in letter.

If the employee furnishes a new Form W-4 after the employer receives the original lock-in letter or modification notice, the employer must withhold FITW on the basis of the new Form W-4 only if it does not claim exemption from Fitw and only if withholding according to the Form W-4 would result in more Fitw than would result under the terms of the lock-in letter or modification notice.

If the employee pays wages with respect to prior employment to the employee subject to Fitw on or after the date specified in the lock-in letter, you are required to submit a copy of the notice to the employee within 10 days of your receipt of the lock-in letter. You may follow any reasonable business practice to furnish a copy of the notice to the employee.

An individual is deemed to be employed by you for these purposes if, as of the date you receive the lock-in letter:

- You pay wages with respect to prior employment to the employee subject to Fitw on or after the date specified in the lock-in letter.
- You reasonably expect the employee to resume the performance of services for you within 12 months of the date of the lock-in letter notice.
- The employee is on a bona fide leave of absence if the period of such leave does not exceed 12 months or the employee retains a right to re-employment with you under an applicable statute or by contract.

Note that if the employee resumes the performance of services for you more than 12 months after the date of the notice, you are not required to withhold based on the notice.

Other requirements pertaining to lock-in letters are as follows.

Provide notification to employee. When a lock-in letter is issued, the IRS provides an employee copy. The employee’s copy identifies the maximum number of withholding allowances permitted and the marital status that applies when computing Fitw. The employee’s copy also indicates the process by which the employee can provide additional information to the IRS for purposes of determining the appropriate number of withholding allowances and/or modifying the marital status. (The IRS also mails a similar notice to the employee’s last known address.)

If the individual is employed by you at the time you receive the lock-in letter, you are required to submit a copy of the notice to the employee within 10 days of your receipt of the lock-in letter. You may follow any reasonable business practice to furnish a copy of the notice to the employee.

An individual is deemed to be employed by you for these purposes if, as of the date you receive the lock-in letter:

- You pay wages with respect to prior employment to the employee subject to Fitw on or after the date specified in the lock-in letter.
- You reasonably expect the employee to resume the performance of services for you within 12 months of the date of the lock-in letter notice.
- The employee is on a bona fide leave of absence if the period of such leave does not exceed 12 months or the employee retains a right to re-employment with you under an applicable statute or by contract.

Note that if the employee resumes the performance of services for you more than 12 months after the date of the notice, you are not required to withhold based on the notice.

Notifying the IRS if the employee is terminated. If you no longer employ the employee, you must notify the IRS office designated in the lock-in letter that the individual is no longer your employee.
Modification notice. After the original mailing of the lock-in letter, the IRS may subsequently issue a modification notice. The modification notice may change the marital status and/or the number of withholding allowances permitted. You must comply with the terms of the modification notice according to the date indicated.

Requirement to withhold after termination of employment. If the employee is employed as of the date of the notice, but you or the employee terminates the employment relationship after the date of the notice, you must continue to withhold based on the lock-in letter or modification notice if any wages subject to FITW are paid with respect to the prior employment after the termination date. Furthermore, you must withhold based on the notice or modification notice if the employee resumes an employment relationship with you within 12 months after the termination of the employment relationship. Whether the employment relationship is terminated is based on all the facts and circumstances.

Be aware of payroll system requirements in connection with lock-in letters. If there is no field in the employee master record or the employee self-service system to indicate that a lock-in letter is in place, employee requests to change Form W-4 data may be made in violation of the lock-in letter.

For this reason, it is important for the payroll system to designate a field for "locking in" an employee's Form W-4 data, having the practical result of rejecting changes in federal (or state and local) W-4 data until the lock-in field is updated by a qualified payroll or employment tax analyst. In an employee self-service environment, this field would generate a notice to employees attempting to change their W-4 data that such changes cannot be made without IRS approval.

In lieu of an automated mechanism for locking in W-4 data, an edit report could be run prior to processing payroll that displays all employees for whom W-4 data changes have been made, ensuring that there are no employees on the list for whom a lock-in letter applies.

Payroll systems should offer a field that allows the employer to indicate when Form W-4 changes are prohibited by an IRS lock-in letter.

Tip 6
Always compare the name on the Form W-4 to the employer’s Form W-2 files

Marriage, divorce and other life events can result in a change in the employee's last name. Issues arise for employers and these employees if the name or SSN shown on the Form W-2 doesn’t match the name or SSN on file with the Social Security Administration (SSA).

To prevent time-consuming SSA notices and the potential for reporting penalties, employers should compare the name on the Form W-4 against the name appearing on the employee's Social Security card (a copy of the Social Security card can be used for this purpose). If the name on the Form W-4 differs from the employee's Social Security card, make sure that Form W-4, box 4 is checked. If box 4 is not checked in this case, employers should treat the Form W-4 as invalid. (See Tip 1.) Of course, the SSN on the Form W-4 should also agree to that shown on the Social Security card.

Taking these steps will show reasonable cause for abatement of penalty for name/SSN reporting errors on the Form W-2. (IRC §3402(f)(2)(B); IRS Pub. 1586. Form W-4, rev. 2015.)
Tip 7
Remember that US nonresident aliens are subject to special Form W-4 rules. All employees working in the US, including nonresident aliens (NRAs), are required to submit a completed and signed Form W-4 to the employer. The procedures that apply for completing the Form W-4 differ for employees who are US residents and those who are NRAs.

Specifically, an NRA is required to:
- **Not claim exempt from federal income tax withholding.** Instead, an NRA who believes that wages will be exempt from FITW (e.g., a treaty exemption applies) is required to separately complete, sign, and give to the employer Form 8233, Exemption from Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual.
- **Request withholding at single with one allowance.** An NRA completes the Form W-4 checking single (regardless of marital status). Except for an NRA who is a resident of Canada, Mexico, or South Korea, or a student or business apprentice from India, an NRA is also not allowed to claim more than one allowance. An NRA may claim zero allowances or additional withholding.
- **Write “NRA” above the dotted line on line 6 of Form W-4.** Employers using an electronic system for capturing Form W-4 information will need to include a field where employees check “NRA” when it applies.

Refer your employees to IRS Notice 1392 for more information.

Tip 8
Be certain to obtain the applicable state nonresident certificate before excluding wages from income tax withholding.

Where there is likely to be travel into a nonresident state because of its close proximity to other states, a reciprocal agreement may allow the employer to exclude the employee’s wages from nonresident state income tax. For example, Montana has a reciprocal agreement with North Dakota whereby North Dakota residents who are working in Montana are subject only to the resident income tax withholding requirements of North Dakota. The exclusion doesn't apply unless the nonresident employee completes, signs, and returns to the employer Form MT-R, Reciprocity Exemption from Withholding.

Reciprocal agreements are generally not an automatic exemption from state nonresident income tax. Montana, like most states with reciprocal agreements, extends the exclusion from nonresident income tax only to those employees who have completed the required exemption certificate.

Employers are potentially liable for state nonresident income tax withholding in the absence of these exemption certificates.
Top 10 Form W-4 tips for 2015

Continued

Tip 9
File state withholding allowance certificates when and where required

Once upon a time (prior to 2005), employers were required to submit copies of all Forms W-4 to the IRS on a quarterly basis in cases where the employee (1) claimed more than 10 personal allowances or (2) claimed to be exempt from withholding and normally earned more than $200 per week. The IRS no longer requires the routine filing of Forms W-4. However, employers must submit copies of Forms W-4 for certain employees when the IRS requests them. When submitting copies of Forms W-4 to the IRS, you generally should complete boxes 8 and 10.

Although the IRS repealed the requirement to submit copies of certain Forms W-4, 24 state income tax authorities and the District of Columbia and Puerto Rico continue to impose this requirement, according to Ernst & Young LLP's 2015 survey.

(See page 10 for Ernst & Young LLP's 2014 survey of state withholding allowance certificate requirements.)

Tip 10
Don't assume the Federal Form W-4 is used for state income tax withholding purposes

Sometimes, the payroll system will default to the information provided on the federal Form W-4 if there is no state (or local) comparable form submitted.

This default approach to state (and local) income tax withholding is risky where a jurisdiction mandates the use of its own withholding allowance form. For instance, Arizona specifically requires that the Arizona withholding allowance certificate be used. (For the Ernst & Young LLP February 2015 survey of state Form W-4 requirements, see page 10.)

Don't assume the federal Form W-4 is valid for state income tax withholding purposes. See the Ernst & Young LLP state survey on page 10.

IRS resources for Form W-4 and employee estimated tax payments

- Withholding Tax Calculator
- Form W-4, Employee’s Withholding Allowance Certificate
- Publication 505, Tax Withholding and Estimated Tax
- Estimated Taxes
It is a common pitfall to assume that an employee’s federal Form W-4 can also be used for state income tax withholding purposes. In fact, many states do not accept the federal Form W-4, instead requiring that a state-specific form be used.

One reason states require the use of a separate form is that the rules governing state (and local) income tax withholding may not always mirror federal, and over- or underwithholding may result from using the federal Form W-4.

Note that 27 state income tax authorities (including the District of Columbia and Puerto Rico) require that certain copies of employee-withholding certificates be filed with the state. If you outsource employment tax filing to a third party, be sure to confirm the extent to which you are assisted in complying with this filing requirement.

Also note that some states (even those that allow use of the federal Form W-4) may have a special state withholding allowance certificates. For instance, most states require a special certificate for employees claiming to be exempt from state income tax withholding (e.g., Montana Form MRS, Employee Certificate of Status Under the Military Spouses Residency Relief Act (Withholding exemption certificate)) and, effective in 2015, North Carolina requires a separate withholding certificate for US nonresident aliens (NC-4NRA).

Following is the 2015 Ernst & Young LLP survey of some of the state rules that apply to state withholding allowance certificates.

State withholding allowance certificate requirements (March 2015)

<table>
<thead>
<tr>
<th>State</th>
<th>State withholding allowance certificate form number</th>
<th>State requires copies of certain employee withholding allowance certificates to be filed with the state</th>
<th>Use of state form</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>A-4</td>
<td>Yes</td>
<td>Required</td>
<td>The number of exemptions claimed must not exceed the number to which the employee is entitled. Overstating the number of exemptions allowed on the Form A-4 can result in a $500 penalty.</td>
</tr>
<tr>
<td>Arizona</td>
<td>A-4</td>
<td></td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Arkansas</td>
<td>AR-4EC</td>
<td></td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>California</td>
<td>DE-4</td>
<td>Yes</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>Federal Form W-4 is normally used for California personal income tax withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than are claimed for federal withholding purposes, the employee should file the state Form DE-4. If the state withholding allowance certificate is not filed, state income tax withholding is based on the federal Form W-4. If the employee files a Form DE-4, the employer must use the DE-4 when calculating California personal income tax withholding.</td>
</tr>
<tr>
<td>Colorado</td>
<td>None</td>
<td>Yes</td>
<td>Use federal Form W-4</td>
<td></td>
</tr>
<tr>
<td>Connecticut</td>
<td>CT-W4</td>
<td>Yes</td>
<td>Required</td>
<td>If the number of federal and state exemptions differs, the employee must separately indicate the number of state exemptions with the phrase “for state of Delaware purposes.” In the event that an employee needs additional state withholding tax withheld, Delaware Worksheets W-4NR and SD/W-4A are available for nonresidents and residents, respectively, to help them calculate the additional tax to be withheld.</td>
</tr>
<tr>
<td>Delaware</td>
<td>None</td>
<td>Yes</td>
<td>Use federal Form W-4</td>
<td></td>
</tr>
<tr>
<td>District of Columbia</td>
<td>D-4</td>
<td>Yes</td>
<td>Required</td>
<td></td>
</tr>
</tbody>
</table>
## Ernst & Young LLP's survey of state Form W-4 requirements

Continued

<table>
<thead>
<tr>
<th>State</th>
<th>State withholding allowance certificate form number</th>
<th>State requires copies of certain employee withholding allowance certificates to be filed with the state</th>
<th>Use of state form</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>G-4</td>
<td>Yes</td>
<td>Required</td>
<td>If the employee fails to provide Georgia Form G-4, the employer can use the information contained on federal Form W-4 if it is sufficient to allow for the calculation of state income tax withholding. If sufficient information is not available, the employer should calculate withholding as if the employee is single with zero allowances.</td>
</tr>
<tr>
<td>Hawaii</td>
<td>HW-4</td>
<td>Yes</td>
<td>Required</td>
<td>Iowa employees can use an additional Form W-4 for Idaho income tax withholding, as long as they write &quot;Idaho&quot; on the top of the form.</td>
</tr>
<tr>
<td>Idaho</td>
<td>None</td>
<td>Yes (if employer suspects that employee has claimed an incorrect number of exemptions)</td>
<td>Use federal Form W-4</td>
<td>Idaho employee allowances can be equal to or less than the federal allowances. If the state allowances are less, Idaho employees can either note that on their one W-4 or use a separate one marked as their state copy. Idaho employees can use an additional Form W-4 for Idaho income tax withholding, as long as they write &quot;Idaho&quot; on the top of the form.</td>
</tr>
<tr>
<td>Illinois</td>
<td>IL-W-4</td>
<td>Yes</td>
<td>Required</td>
<td>State income tax is based on the number of exemptions, not marital status.</td>
</tr>
<tr>
<td>Indiana</td>
<td>WH-4</td>
<td>Required</td>
<td></td>
<td>State income tax is based on the number of exemptions, not marital status.</td>
</tr>
<tr>
<td>Iowa</td>
<td>IA W-4</td>
<td>Yes</td>
<td>Required</td>
<td>State income tax is based on the number of exemptions, not marital status.</td>
</tr>
<tr>
<td>Kansas</td>
<td>K-4</td>
<td>Required</td>
<td></td>
<td>All new employees and former employees wishing to adjust state withholding must use Form K-4 for state income tax withholding purposes.</td>
</tr>
<tr>
<td>Kentucky</td>
<td>K-4</td>
<td>Required</td>
<td></td>
<td>State income tax is based on the number of exemptions, not marital status.</td>
</tr>
<tr>
<td>Louisiana</td>
<td>L-4</td>
<td>Yes</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>State income tax is based on the number of exemptions, not marital status. By agreement between the employee and the employer, federal Form W-4 may be used, but the employer is responsible for properly determining the employee's exemptions and credits under state law.</td>
</tr>
<tr>
<td>Maine</td>
<td>W-4ME</td>
<td>Yes</td>
<td>Required</td>
<td>An employee may claim a greater number of allowances for state purposes than he or she does for federal purposes by obtaining a Withholding Exemption Variance Certificate from Maine Revenue Services. The certificate must be renewed each year by December 31. Because of differences between Maine income tax law and the federal Internal Revenue Code (e.g., the federal child credit), all new employees or those changing their federal Form W-4 must complete the W-4ME.</td>
</tr>
<tr>
<td>Maryland</td>
<td>MW 507</td>
<td>Yes</td>
<td>Required</td>
<td>As long as the number of withholding exemptions claimed by the employee does not exceed the number he or she is entitled to under the law, the total exemptions shown on the MW 507 do not have to agree with the total shown on the federal Form W-4.</td>
</tr>
</tbody>
</table>
Note that some states (even those that allow use of the federal Form W-4) may have special state withholding allowance certificates for certain circumstances.

<table>
<thead>
<tr>
<th>State</th>
<th>State withholding allowance certificate form number</th>
<th>State requires copies of certain employee withholding allowance certificates to be filed with the state</th>
<th>Use of state form</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts</td>
<td>M-4</td>
<td>Yes (if the employer believes too many exemptions were claimed)</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>State income tax is based on the number of exemptions, not marital status. The state withholding allowance certificate may be used if state exemptions differ from federal. Per Form M-4 instructions, if the same number of exemptions is claimed for state and federal purposes, employees should use federal Form W-4 and not Form M-4.</td>
</tr>
<tr>
<td>Michigan</td>
<td>MI-W4</td>
<td>Yes</td>
<td>Required</td>
<td>State income tax is based on number of exemptions, not marital status.</td>
</tr>
<tr>
<td>Minnesota</td>
<td>W-4MN</td>
<td>Yes</td>
<td>Required under certain circumstances; use federal Form W-4 in most cases</td>
<td>If the employee chooses the same number of Minnesota allowances as federal and the number claimed is 10 or fewer, also use the same number of allowances that is reported on Form W-4 to determine the employee's Minnesota withholding. There is no need for the employee to complete a separate form for Minnesota purposes. However, the employee must provide you with a completed Form W-4MN, Minnesota Employee Withholding Allowance/Exemption Certificate, if the employee:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Chooses to claim fewer Minnesota withholding allowances than for federal purposes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Chooses to claim more than 10 Minnesota withholding allowances</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Requests additional Minnesota withholding to be deducted each pay period</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Claims to be exempt from Minnesota income tax withholding and the employee qualifies by meeting one of the requirements listed in the instructions for Form W-4MN</td>
</tr>
<tr>
<td>Mississippi</td>
<td>89-350</td>
<td>Yes (if the employer believes the employee claimed too many exemptions)</td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>MO W-4</td>
<td></td>
<td>Required</td>
<td></td>
</tr>
<tr>
<td>Montana</td>
<td>None</td>
<td>Yes</td>
<td>Use federal Form W-4</td>
<td>If the number of state and federal exemptions differs, the form should be marked “For state purposes only.” The state does not recognize an “exempt” status on Form W-4. Employers should withhold for state purposes based on the value of line 5 of the Form W-4 only. Exemption from Montana income tax withholding is not allowed.</td>
</tr>
</tbody>
</table>
Ernst & Young LLP's survey of state Form W-4 requirements

Continued

<table>
<thead>
<tr>
<th>State</th>
<th>State withholding allowance certificate form number</th>
<th>State requires copies of certain employee withholding allowance certificates to be filed with the state</th>
<th>Use of state form</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>None</td>
<td>Use federal Form W-4</td>
<td></td>
<td>The employer may not accept one Form W-4 for federal withholding and another one for state purposes.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>An employee may request additional state income tax to be withheld by giving a written statement to the employer requesting the additional amount of withholding.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>By law, every employer with 25 or more employees must withhold at least 1.5% of each employee's gross wages minus tax-qualified deductions unless the employee provides satisfactory evidence that a lesser amount of withholding is justified. Satisfactory evidence may include birth certificates or Social Security information for dependents or other evidence that reasonably assures the employer that the employee is not improperly or fraudulently evading or defeating the income tax by reducing or eliminating withholding. Exceptions apply — for example, claiming an exemption from state income tax withholding and federal income tax withholding because the employee had no federal income tax liability the previous year and expects no federal income tax liability for the current year.</td>
</tr>
<tr>
<td>New Jersey</td>
<td>NJ-W4</td>
<td>Optional; federal Form W-4 may also be used</td>
<td></td>
<td>In some cases, a federal Form W-4 is not accurate for state withholding purposes and an NJ-W4 should be filed.</td>
</tr>
<tr>
<td>New Mexico</td>
<td>None</td>
<td>Use federal Form W-4</td>
<td></td>
<td>The employee may submit a separate Form W-4 marked “For New Mexico state withholding only” if a different number of allowances for state purposes is desired.</td>
</tr>
<tr>
<td>New York</td>
<td>IT-2104</td>
<td>Yes</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>Employees must file an IT-2104 if they claim exemptions other than those claimed for FITW purposes, or if they claimed exemptions for federal credits on Form W-4.</td>
</tr>
<tr>
<td>North Carolina</td>
<td>NC-4/NC-4 EZ</td>
<td>Yes</td>
<td>Required</td>
<td>Legislation effective for taxable years beginning on or after January 1, 2014, provides that all taxpayers will pay a lower rate and be granted a higher standard deduction. Taxpayers may no longer claim a personal exemption for themselves or any qualifying dependents. Effective January 1, 2015, new Form NC-4 NRA must be provided by nonresident aliens in lieu of Form NC-4 or Form NC-4 EZ to determine the proper amount of state income tax to be withheld because they are not allowed a standard deduction. Employers of nonresident aliens must withhold using the “single” filing status regardless of the employee's actual marital status and withholding an additional amount each pay period. If an employee does not submit Form NC-4 NRA, the employer must withhold as single with zero allowances, plus the additional amount.</td>
</tr>
<tr>
<td>State</td>
<td>State withholding allowance certificate form number</td>
<td>State requires copies of certain employee withholding allowance certificates to be filed with the state</td>
<td>Use of state form</td>
<td>Additional information</td>
</tr>
<tr>
<td>-----------------</td>
<td>-----------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>------------------</td>
<td>------------------------</td>
</tr>
<tr>
<td>North Dakota</td>
<td>None</td>
<td></td>
<td>Use federal Form W-4</td>
<td></td>
</tr>
<tr>
<td>Ohio</td>
<td>IT-4</td>
<td>Yes (if employer receives an improper exemption certificate)</td>
<td>Required</td>
<td>State income tax is based on number of exemptions, not marital status. Employees may not claim exemption from Ohio income tax withholding.</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>None</td>
<td></td>
<td>Use federal Form W-4</td>
<td></td>
</tr>
<tr>
<td>Oregon</td>
<td>None</td>
<td>Yes</td>
<td>Use federal Form W-4</td>
<td>The exemptions on Form W-4 should not be used if the employee claims exempt status for state withholding tax only. If the number of federal and state exemptions differs, the employee should prepare two separate Forms W-4, with the one designated as the state form marked “For Oregon only.”</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>None</td>
<td></td>
<td>N/A</td>
<td>Pennsylvania has no equivalent to the federal Form W-4. Personal exemptions, standard deductions or dependent credits are not allowed.</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>499 R-4.1</td>
<td>Yes</td>
<td>Required</td>
<td>An employee whose gross annual salary does not exceed $20,000 (effective January 1, 2015, $40,000 for youth age 16-26) will not be subject to the withholding of income tax at source upon such wages. Nevertheless, the employee may elect for an amount to be withheld by indicating so on Form 499 R-4.1, Withholding Exemption Certificate.</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>RI W-4</td>
<td></td>
<td>Optional; federal Form W-4 may also be used</td>
<td>In computing the Rhode Island withholding for employees, the employer may rely on federal Form W-4. Employees electing additional federal withholding may elect additional Rhode Island withholding. Employees electing additional Rhode Island withholding should do so on Form RI W-4.</td>
</tr>
<tr>
<td>South Carolina</td>
<td>None</td>
<td>Yes</td>
<td>Use federal Form W-4</td>
<td>The employee can claim a smaller number of exemptions than those claimed for federal purposes but not a larger number. If the number of exemptions for federal and state is not the same, a separate federal Form W-4 should be filed with the employer and marked “For state purposes.”</td>
</tr>
</tbody>
</table>
## Ernst & Young LLP's survey of state Form W-4 requirements

### Continued

<table>
<thead>
<tr>
<th>State</th>
<th>State withholding allowance certificate form number</th>
<th>State requires copies of certain employee withholding allowance certificates to be filed with the state</th>
<th>Use of state form</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>None</td>
<td>Yes (if the employer believes too many exemptions were claimed)</td>
<td>Use federal Form W-4</td>
<td>Filing a state certificate may be required if the federal Form W-4 does not reflect the number of exemptions permitted by state law. Employees who have entered into civil unions will not have the correct Vermont tax withheld unless they complete state Form W-4VT. If a federal Form W-4 used for state purposes indicates an additional amount of federal withholding on line 6, state withholding should be increased by 24% of the extra federal withholding.</td>
</tr>
<tr>
<td>Vermont</td>
<td>W-4VT</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>Required</td>
<td>State income tax is based on number of exemptions, not marital status. Filing a state certificate may be required if the federal Form W-4 does not reflect the number of exemptions permitted by state law. Employees who have entered into civil unions will not have the correct Vermont tax withheld unless they complete state Form W-4VT. If a federal Form W-4 used for state purposes indicates an additional amount of federal withholding on line 6, state withholding should be increased by 24% of the extra federal withholding.</td>
</tr>
<tr>
<td>Virginia</td>
<td>VA-4</td>
<td>Yes (if the employer believes too many exemptions were claimed)</td>
<td>Required</td>
<td>State income tax is based on number of exemptions, not marital status. Filing a state certificate may be required if the federal Form W-4 does not reflect the number of exemptions permitted by state law.</td>
</tr>
<tr>
<td>West Virginia</td>
<td>WV/IT-104</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>Required</td>
<td>State income tax is based on number of exemptions, not marital status. Filing a state certificate may be required if the federal Form W-4 does not reflect the number of exemptions permitted by state law.</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>WT-4</td>
<td>Yes</td>
<td>Optional; federal Form W-4 may also be used</td>
<td>If Form WT-4 is used to comply with the state's new hire reporting requirements, employees must use this form. In addition, filing a state certificate may be required if the federal Form W-4 does not reflect the number of exemptions permitted by state law. Form W-4 cannot be used to claim complete exemption from Wisconsin withholding.</td>
</tr>
</tbody>
</table>

Much of the information in this survey was obtained through review of state revenue department administrative guides or informational telephone or email surveys with state governmental agencies. Although state administrative guides, telephone and email surveys are useful in determining how government departments currently treat an issue, answers and positions derived from such sources are not binding upon the state, cannot be cited as precedent and may change over time, hence they cannot be relied upon.
Ernst & Young LLP employment tax advisory contacts

Mary Angelbeck  
mary.angelbeck@ey.com  
+1 215 448 5307

Anthony Arcidiacono  
anthony.arcidiacono@ey.com  
+1 732 516 4829

Peter Berard  
peter.berard@ey.com  
+1 212 773 4084

Gregory Carver  
gregory.carver@ey.com  
+1 214 969 8377

Bryan De la Bruyere  
bryan.delabruyere@ey.com  
+1 404 817 4384

Jennie DeVincenzo  
jennie.devincenzo@ey.com  
+1 732 516 4572

Richard Ferrari  
richard.ferrari@ey.com  
+1 212 773 5714

David Germain  
david.germain@ey.com  
+1 516 336 0123

Julie Gilroy  
julie.gilroy@ey.com  
+1 312 879 3413

Mary Gorman  
mary.gorman@ey.com  
+1 202 327 7644

Ken Hausser  
kenneth.hausser@ey.com  
+1 732 516 4558

Nicki King  
nicki.king@ey.com  
+1 214 756 1036

Kristie Lowery  
kristie.lowery@ey.com  
+1 704 331 1884

Thomas Meyerer  
thomas.meyerer@ey.com  
+1 202 327 8380

Chris Peters  
christina.peters@ey.com  
+1 614 232 7112

Matthew Ort  
matthew.ort@ey.com  
+1 214 969 8209

Stephanie Pfister  
stephanie.pfister@ey.com  
+1 415 894 8519

Debera Salam  
debera.salam@ey.com  
+1 713 750 1591

Debbie Spyker  
deborah.spyker@ey.com  
+1 720 931 4321

Mike S. Willett  
mike.willett@ey.com  
+1 404 817 4637

It’s time for spring cleaning!

Don’t let history repeat itself. If you needed to let a few things slide during the 2014 busy season, now is the perfect time to pick them back up again.

We’re here to help. From payroll tax system settings to dusting off your payroll policies and procedures, our experienced team of employment tax professionals is here to help.

For more information about our services, click here.

Connect with us

Visit us on LinkedIn
Follow us on Twitter
Read our blog at Payroll Perspectives From EY

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

Ernst & Young LLP does not bear any responsibility whatsoever for the content, accuracy or security of any links (by way of hyperlink or otherwise) to external websites.

© 2015 Ernst & Young LLP. All Rights Reserved.

SCORE No. YY3511
CSG No. 1503-1427087

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com