February 18, 2021

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2021-39

TO: LaGov HCM Paid Agency Human Resources and Employee Administration Staff

FROM: Andrea P. Hubbard
Director

SUBJECT: Federal/State Tax Exempt Status and Other Critical Tax Information

Federal and State Tax Exempt Status:

2020 Forms W-4 for employees claiming exempt will expire **February 15, 2021**. A list of employees who are claiming this status can be produced by running ZP65 (Employee Tax Report). When reviewing ZP65, ensure that all employees whose exempt records end **02/15/2021** have a subsequent IT0210 record. There should always be a subsequent non-exempt IT0210 record to **12/31/9999**.

If the employee does not give you a new 2021 Form W-4, you must review/change their IT0210 record and withhold tax based as if he or she had checked the box for single or married filing separately in Step 1(c) and made no entries in Steps 2 through 4 of the 2021 Form W-4. For employees who are claiming exempt in **2021** and a new withholding form has been received, a new IT0210 record must be created. Agencies must follow online help system task “Maintain Withholding Information” under LaGov HCM, “PRMD – Payroll Master/Financial Data” for instructions on changing IT0210. **Note:** Any employee claiming exempt from federal withholding must write “Exempt” on the 2021 Form W-4 in the space below Step 4(c) and complete Steps 1 and 5. Louisiana state tax rules mirror the federal requirements; therefore, you should follow the same guidelines above for anyone who claimed state exempt status in **2020**. Agencies must maintain copies of “Exempt” Forms W-4 and Louisiana L-4/L-4E, as the IRS/LA DOR may request a copy.

LEO and Withholdings:

Employees are able to change federal and state tax withholding information in LEO. **NOTE:** Beginning in 2020, the Federal and State tax withholding elections in LEO are different from previous election screens. LEO Online Help provides a document comparing the LEO W-4 election fields and Federal W-4. Employees with an active IRS
mandate, Non-Resident Alien indicator, or claiming exempt are restricted from making withholding changes in LEO; thus, a hard copy Form W-4 must be completed and submitted to Human Resources for entry. A comparison between IT0210 and the new Form W-4 is available in LaGov Online Help to assist agencies.

The IRS and the LA Department of Revenue no longer require that OSUP send copies of W-4/L-4 forms for employees who claim more than 10 allowances or who claim exempt. However, agencies should maintain these paper forms on file.

**IRS Lock-In Letters:**

In certain situations, the IRS may issue a lock-in letter specifying the permitted filing status and withholding instructions for a particular employee. OSUP will create an IT0161 record with this information, which will automatically check the IRS mandate box on the current IT0210 record. Copies of the IRS letters will be forwarded to the agency for distribution to the employee.

LEO will not allow any Form W-4 changes if an IRS mandate record exists. If an employee provides a new Form W-4, agency personnel should enter this information into the LaGov HCM system. The system will evaluate the master data on the employee’s record and withhold the appropriate taxes.

**Critical Information Regarding Changes to IT0210 Tax Records:**

The following information explains how taxes are calculated on leave payouts and why it is important for employees to not make W-4/L-4 changes when leave payouts are expected:

**TAX CHANGES (IT0210)**

- LaGov HCM handles taxing for leave payouts differently than it does for the employee’s normal gross wages.

- Gross wages generated by a payout (Maintain Leave Compensation IT0416 or an auto payment of compensatory hours which exceed allowable cap) are converted into the equivalent of 80 hour wage amounts, forcing the tax to be calculated as multiple pay period results.

Agencies should not advise employees to change their tax withholding status for a single pay period to accomplish the tax “savings” that LaGov HCM calculates automatically. If tax withholding status is changed for this single period, the result may be that taxes are actually under-withheld.

When calculating an employee’s tax withholding amount, LaGov HCM looks at the tax record in effect on CHECK DATE not the tax record active for the pay period date range. Therefore, pay close attention to the FROM date entered on the tax record (IT0210) when making a change.
Questions on ZP65 and how to set up IT0210 records should be directed to the LaGov HCM Help Desk. Employees with LEO questions can click on the “Who do I contact for Help?” link, which is located on the right side of the LEO Welcome page. Any other questions should be directed to the OSUP Wage & Tax Administration Unit at _DOA-OSUP-WTA@la.gov or (225):

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<td>Myrtle Cain</td>
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<td>Michelle Richmond</td>
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APH: MGC/JAW