OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2020-42

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:**

2019 Forms W-4 for employees claiming exempt will expire **February 17, 2020**. 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 **02/17/2020** 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 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 2020 Form W-4. For employees who are claiming exempt in 2020 and a new withholding form has been received, a new IT0210 record must be created. Agencies must follow on-line 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 2020 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 2019. 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:**
Tax Withholding elections through LEO are currently suspended until system enhancements are completed to accommodate the 2020 Form W-4. Employees who want to make changes to their Federal or State withholding must submit the appropriate tax forms to Human Resources for data entry. Additional information regarding the changes to LEO will be provided when available.

**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. So, pay close attention to the FROM date entered on the tax record (IT0210) when making a change.
For questions on ZP65 and how to set up IT0210 records, contact the LaGov HCM Help Desk via a LaGov HCM Help Desk Ticket. 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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<tr>
<td>Tiko Ary</td>
<td>342-1651</td>
<td>Michelle Richmond</td>
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<td>Myrtle Cain</td>
<td>342-5346</td>
<td>Tracy Smith</td>
<td>219-0191</td>
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<td>Wendy Eggert</td>
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<td>Courteney Young</td>
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