State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2006-46

TO: All ISIS HR Paid Agencies

FROM: Jena W. Cary
Director

SUBJECT: Federal/State Tax Exempt Status and Impact On Taxes Calculated on Leave Payouts

Federal and State Tax Exempt Status:

2005 Forms W-4 for employees claiming exempt will expire February 16, 2006. A list of employees that are claiming this status can be produced by running ZP65 (Employee Tax Report). When reviewing ZP65, ensure that all employees whose records end 02/15/2006 or 02/16/2006 have a subsequent IT210 record. There should always be a subsequent IT210 record to 12/31/9999.

If you have not received a new withholding form for 2006 from the employee(s) by the deadline, you **must** change their federal filing status to "single" with "zero" withholding allowances. For employees that are claiming exempt in 2006 and a new withholding form has been received, a new IT210 record must be created following ISIS On-Line Help, Maintain Withholding Information. Louisiana state tax rules mirror the federal requirements; therefore, you should follow the same guidelines above for anyone who claimed state exempt status in 2005.

LEO and Withholdings:

LEO's enhanced features allow employees to change federal and state tax withholding information. However, LEO will not allow employees to file exempt or to claim more than 10 exemptions and/or dependents. Employees will receive the message "Allowances claimed greater than FED (or State) threshold 10, file W-4 to agency" if the employee enters credits totaling more than 10. Employees must submit a paper form to their Employee Administrator for these changes.

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

Critical Information Regarding Changes to IT 210 Tax Records:

The following information taken directly from the ISIS HR Bulletin Board 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 (IT210)

- ISIS HR 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 IT416 or an auto payment of compensatory hours which exceeded 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 ISIS 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, ISIS HR 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 (IT210) when making a change."

Questions on ZP65 and how to set up IT210 records should be directed to the ISIS HR Help Desk at (225) 342-2677. Any other questions should be directed to a member of the OSUP Wage and Tax Administration Unit at (225):

Tiko Ary	342-1652	Wendy Eggert	219-0191
Rachel Bryant	342-1651	Chelette Jarrett	342-0714
		Rhonda Desselle	219-0338

JWC:THA/kmb