

When Does an Employee Qualify as Exempt From Withholding?



When it comes to filling out W-4 forms, employees don't always take the task seriously. Sometimes, they simply write "exempt" on their W-4s or claim a false high number of withholding allowances to ensure that no federal or state tax is withheld.

When helping staff members fill out W-4 forms, they may ask if they can be exempt from federal withholding. Here are some points to keep in mind:

- Did the employee have a tax liability in the previous year? If he or she received a refund of all federal income tax paid (or had a right to a refund), the employee had no liability and can claim to be exempt.

- Does the employee expect to have a tax liability this year or expect to qualify for a refund of all

federal income tax paid? To make this determination, the W-4 worksheet asks:

- Can the employee be claimed on someone else's income tax return this year (such as a parent)?
- What level of income does the employee expect this year?
- In addition to earned income, does the employee expect to receive more than \$250 in unearned income (such as interest or dividends) this year?

Form	W-4	Employee
Department of the Treasury Internal Revenue Service		▶ Your ei 10 allowances
1	Type or print your first name and middle ini	
	Home add	rural i
	City or tow	
5	Total number of allowances you are	
6	Additional amount, if any, you want	
7	I claim exemption from withholding	

If after reading the guidelines, your employee decides he or she is exempt, you may have to send a copy of his or her W-4 to the IRS.

This is required when an employee claims more than 10 withholding allowances, or exemption from withholding when his or her taxable wages would normally be more than \$200 per week.

Important: An "exempt" W-4 is only valid for one year. If your payroll includes employees who claim to be exempt, require them to see you every January to fill out new W-4s so that you can mail them to the IRS by the required deadline.

Contact ASAP Accounting and Payroll. We can provide payroll services for your business. We handle all the details and keep you in compliance with payroll laws and regulations. ASAP@businessASAP.com