

Changing W-4 Withholding Exemptions

Under the new tax withholding regulations for supplemental wages, there are new time periods for making changes using the W-4 tax withholding exemption form.

For example, if an employee is expecting to receive supplemental wages (e.g., overtime, retroactive pay, bonus pay, etc.) and wants to claim additional exemptions to offset the additional taxes, the W-4 must be filed after the prior month's supplemental payroll but before the prior month's end-of-month payroll is processed.

If, for example, an employee is expecting to receive a retroactive payment on November 10, the W-4 must be filed after the October 10 but before the October 30 payrolls are processed.

Any attempt to use a different timeline for entering W-4 changes under this scenario will be rejected by the computer when the payroll is being processed and the W-4 will have to be deleted. However, W-4 changes can be accepted at any time during a month where there are no supplemental wages to affect the tax withholdings.

If you have any questions, please contact Business Advisory Services.