

TAX STATUS CHANGE

P-1 Type 239 Tax Status Change

Requires Approvals by: PA PAYL

Pay Period Frequency: Recurring each pay period until another P-1 is written/processed.

Use this P-1 to change an employee's Federal, State, or FICA tax withholding status. Typically, if an employee submits a new Federal/State W-4 form, a P-1 will need to be keyed to make those changes to the employee's Employee Information (EI) record on HRIS. Keep the original W-4 form in the employee personnel file.

It is critical that tax codes are set up properly on this P-1. The employee's tax withholding settings are referenced during the payroll calculation routine to compute biweekly income tax withholding, based on taxable income and using annual tax tables updated & published by the IRS and the Iowa Department of Revenue.

Centralized Payroll may also complete a tax status change P-1 for an employee if an IRS 'lock-in letter' is received. Your agency will be notified if a lock-in letter is received, as the employee is not allowed to change Federal W-4 totals in this case (unless the change results in more Federal withholding than what is being mandated).

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- Federal Filing Status: (S)ingle, (M)arried, or (H)Married, but withhold at the higher Single rate, see Box 3 of Federal W-4 form.
- Fed Exempt: the total number of allowances identified in Box 5 on Federal W-4 form (Max HRIS limit=98).
- Fed Voluntary W/H: Additional amount to be withheld each paycheck, see Line 6 on Federal W-4 form.
- State Exempt: Total Allowances noted on state W-4 form (Max HRIS limit=98).
- State Voluntary W/H: Additional amount to be withheld each paycheck, see Line 7 of Iowa W-4 form.
- State Code is determined by employee's state of residence. If residence is not IA or IL, then work location is a factor in determining State code.
 - Often-used State codes: 01 = Iowa, 51 = Iowa Non-taxable (use only if Iowa W-4 is marked EXEMPT), 02 = Illinois, 52 = IL Non-taxable (use only if IL W-4 form is marked EXEMPT).
 - No additional State voluntary w/h amounts should be entered if State code = 51 or 52 (EXEMPT).
 - Other State codes can be selected on the P-1 from a pull-down selection list. In this instance, you should always contact Centralized Payroll for assistance first, to ensure the correct state code is entered on HRIS.

Items to Note:

- Illinois is the only state that has a 'reciprocity' agreement with State of Iowa for income tax withholding. Therefore, if your employee is a resident of Illinois, then IL (Code 02) State tax withholding should always be keyed. Or if employee completes IL W-4 form marked as 'EXEMPT', then IL Non-taxable code (52) is used.
- If your employee lives in any other state besides IA or IL, yet their work location is in Iowa, then IA tax withholding (State code 01) should always be selected.
- If your employee resides in any other state besides IA or IL, contact Centralized Payroll to provide this information and to get further instructions from DAS-SAE on which state code to use.
- Up to 98 Fed and State Exemptions are allowed to be entered on the P-1.
- Code '99' in Fed and State Exempt field is Reserved. Code '099' is the default for 'flat tax' Federal and State withholding rates to be applied.
- If an employee claims Exempt for Iowa w/holding, or claims State exemptions of 22 or more, a copy of the Iowa W-4 form must be sent to Iowa Dept. of Revenue (Compliance Services division) for review. Employer name in lower right corner should state 'State of Iowa – Centralized Payroll' before you send form to IDR.

TAX STATUS CHANGE CONTINUED

- If an employee completes a 'flat tax' w/holding authorization form, send a copy of form to Centralized Payroll for PAYL approvals on the P-1. Keep original authorization form in the employee personnel file. Flat tax is often elected when an employee is retiring/expecting a large wage payout.

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FICA Code is always YES. Exception is if an employee is a foreign exchange student who has provided F-1 Visa paperwork to your agency that documents their immigrant student FICA tax exempt status. In this case, always contact Centralized Payroll for instructions on how to proceed.

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Fed Tax Status should always = 1 (YES). The only exception is when an employee submits a completed Federal W-4 form to your agency, in which they claim 'EXEMPT' on Line 7. In this case, Fed Tax Status = 4 (NO). You must submit a copy of all Federal/State 'EXEMPT' W-4 forms to Centralized Payroll for PAYL approval on the P-1. No additional voluntary withholding amounts should be entered on page 1 if Fed Tax Status = 4 (NO).