Modify the W-4 process per the attached requirements.
Reporting of Questionable Forms W-4

Attachment to Service Request #14877
October 16, 2002
Rev November 13, 2002
Rev November 15, 2002

Currently, whenever an employee claims more than 10 withholding allowances or claims exempt from withholding (no tax liability) for either federal or state withholding, the program selects the employee's record for reporting to the Internal Revenue Service (IRS). A paper report is generated for reporting to the state.

When an employee is a nonresident alien and claims exempt under a tax treaty, the user changes the employee's citizenship code (EDB #0109) to an "E" and inputs a value of '999' in the withholding allowance field (EDB #0128) in order to bypass federal tax withholding.

The value of '999' is passed to the IRS via the file even though the employee did not make a change to his W-4 form. The use of this value is for internal purposes only and should not be passed to the IRS.

If an employee is a nonresident alien claiming exempt under a tax treaty (EDB #0109 = E, F, or X) and EDB #0128 = 999), the employee's record should be blocked and not reported on the file that is sent to the IRS.

If an employee is a nonresident of California (EDB #0170 = N) and income is not subject to California tax (EDB #0131 = 997), then the employee's record should be blocked and not included on the EDD report PPP7651).

Although there is no specific deadline for implementation, this problem is impacting employees. They are receiving notices from the IRS regarding their "ineligibility" for claiming exempt status because the IRS has no way of knowing the person is exempt under a tax treaty.

Addendum - November 15, 2002

The edits for determining an invalid Social Security number have been modified in the changes to the W-2 programs for 2002 reporting. This W-4/DE4 process should also utilize the new edits.

[Signature] 11/15/02