

A Guide to W-4s

When should an employee claim exempt?

An employee may claim exempt if he/she had a right to a refund of all income tax withheld in the previous year because he/she had no tax liability **AND** he/she expects a refund of all income tax withheld this year because he/she expects no tax liability.

An employee may NOT claim exempt if 1) the employee is claimed as a dependant on someone else's tax return **AND** 2) the employee's wages plus non-wage income (such as interest on a savings account) will be more the \$750.

IMPORTANT: If an employee does choose to claim exempt, the Federal and State Tax allowance boxes must be left blank. Putting a zero in those boxes means that the employee is claiming single (or married) with no exemptions, and taxes will be taken. If an employee leaves all boxes blank, single (or married) with no exemptions will be entered.

How many exemptions should an employee take?

The higher the number of exemptions, the less amount of tax that will be taken out. Single with zero will take out the most. You may claim an allowance for each of the following:

- yourself if no one claims you as a dependant (including parents)
- your spouse if he/she does not work
- each dependant not claimed by someone else
- yourself if you are single and have one job

What if the permanent address is out of state?

If an employee is a resident of Indiana, Illinois, Michigan, Kentucky or Minnesota, the student does not have to pay Wisconsin state tax because of tax agreements. Residents of Minnesota are also required to fill out the W-222 form each year.

Should employees use their local address on the W-4?

No, employees should use their permanent address on the W-4 and not their school/local address. The address noted on the W-4 is where the W-2 (wage and tax statement) will be sent in January.

What if an employee is an international visitor?

International visitors and those employees with green cards are required to fill out the International Tax Packet. This packet is available at:

<http://www.bussvc.wisc.edu/ecbs/itx-international-tax-packet-uw1469.pdf>.

Instructions for the forms are included. These forms must be submitted to the payroll office before the employee will be placed on payroll. Some of these forms will need to be filled out each year.

Why would an employee who claims exempt from state and federal taxes last year suddenly have taxes taken out this year?

Any employee who claims exempt from withholding is required to complete a new W-4 form by February 16th of each year to continue being exempt for the following year. Otherwise, his/her exemption will become single with 0.

Aren't students automatically exempt from paying state and federal taxes?

There is no automatic exemption from state and federal taxes for students. Most students will need to file a U.S. income tax return each year. Students may claim exempt on the W-4 if they meet certain criteria listed above. Students are exempt from FICA (Social Security and Medicare Tax) if they are attending school at least half time, however.