

FSLG Pacific Area Presentation
Forms W-4 and W-2 – What You Need to Know
March 12, 2014 – Questions and Answers

1. Q. Where do I get the handouts?
A. See attachments to this document.

2. Q. What about rehires?
A. We assume that this question pertains to the securing of Form W-4 by an employer. When an employee retires and then comes back to work for the same entity, the employee is a ‘new’ employee and should submit a new Form W-4. Additionally, a retiree may have other considerations, such as withholding from retirement pay, which will render the FW-4 on file with the former employer inaccurate. Refer to [Publication 505](#), near the bottom of page 5, ‘Retirees Returning to the Workforce.’

3. Q. Can employees change prior to the Christmas holidays, then change it back a month later?
A. The purpose of income tax withholding is to ensure that a sufficient amount has been withheld to match an employee’s actual tax liability for the year. The Form W-4 is prepared by taking into consideration an employee’s filing status and the number of allowances to which the employee is entitled. The section, ‘Changing Your Withholding,’ on page 3 of [Publication 505](#), provides examples of when it is appropriate to change withholding. The law provides a \$500 penalty when an employee makes statements or claims withholding allowances on Form W-4 that both reduce the amount of tax withheld and the employee has no reasonable basis for the statements or allowances at the time the Form W-4 is prepared. See [Publication 505](#), page 12, ‘Penalties.’

4. Q. If an employee turns in an exempt Form W-4, then we pay the employee supplemental wages. Are taxes also exempt from supplemental wages?
A. An employee may claim exemption from withholding only if both of the following are true: The employee had no income tax liability for the prior year (received a refund of all taxes withheld) and the employee expects to have no income tax liability for the current year, so would expect a refund of all taxes withheld. If the supplemental wages will result in the employee having an income tax liability for the year, then a new Form W-4 should be submitted. See [Publication 505](#), ‘Exemption from Withholding,’ on page 11.

5. Q. If someone wants to submit a new Form W-4 claiming exempt for a supplemental payroll to have less taxes taken out, and then wants to submit another Form W-4 to change his withholdings back to what they were for the end-of-month payroll, is this allowed?
A. An employee may claim exemption from withholding only if the employee had no income tax liability in the prior year and expects to have no income tax liability in the current year. See [Publication 505](#), ‘Exemption from Withholding,’ on page 11.

6. Q. What is a statutory employee named under Box 13 on Form W-2?
A. Please see [Publication 15-A](#), page 5 for a definition of ‘Statutory Employees.’

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7. Q. Must Box 13 be checked for all employees if only a portion of the employees participate in the 457(b) program?
- A. Box 13 pertains to employees' individual Forms W-2 and should be checked only if it is applicable to the specific employee. Refer to the '[General Instructions for Forms W-2 and W-3](#)', beginning at the top of page 18, for specific instances of when box 13 will be checked.
8. Q. If the employee participates in a State retirement plan (PERS) is that reportable on the W2?
- A. Please refer to [Publication 15-A](#), Section 8, 'Pensions and Annuities,' on page 23. You may wish to call us separately with your question if you don't find the answer in the publication. A list of Specialists in the Pacific Area is included at the end of this document.
9. Q. If an employee claims 10 or more exemptions on the Form W-4, are we required to send the IRS a copy?
- A. No. Employers are no longer required to submit Forms W-4 to the IRS, unless specifically requested to do so by the IRS. However, if an employer believes that a Form W-4 submitted by an employee is not accurate, the employer MAY send a copy of that Form W-4 to the IRS. If you wish to report a Form W-4 that you think is false or invalid, please contact your local FSLG Specialist. A list of Specialists in the Pacific Area is included at the end of this document.
10. Q. Contributions be reported on Form W-2 in the "12 box" somewhere? The employer contributes to the defined benefit portion as well.
- A. We are unclear on this question. You may wish to contact us separately with your question. A list of Specialists in the Pacific Area is included at the end of this document.
11. Q. Do employers need to get updated form on a regular basis?
- A. We assume this pertains to Form W-4. Employers must request a new Form W-4 from new employees and from those employees who claimed exemption from withholding in the prior year. The employee must submit a new Form W-4 by February 15 of the current year if the employee remains exempt from withholding. If the employee does not submit a new Form W-4 by February 15, then the employer must withhold as those the employee is single with no withholding allowances. Employers should remind to submit a new Form W-4 if they need to change their withholding. See [Publication 15](#), the section on 'Income Tax Withholding,' in the left hand column at the top of page 18 and the 'Employer Responsibilities' on page 4.
12. Q. Is claiming 99 allowances the same as Exempt?
- A. No.

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13. Q. Form W-4, line 7. Can I ask supporting documentation to support the employee
- A. The employer is not required to request supporting documentation from employees claiming exemption from withholding.
14. Q. The employee terminates on 03/31 (is paid monthly). The employee's final pay is regular wages, and a separate check is cut for vacation hours. Would you just make the vacation hours check supplemental?
- A. It is appropriate to treat the vacation payment as supplemental wages because it is identified as a separate payment from regular wages. See [Publication 15](#), Section 7, 'Supplemental Wages,' on page 18 for additional information.
15. Q. If an employee has a name change – it is correct to have issued a Form W-2 for the correct name we had on file at that time. We do not need to reissue a Form W-2 in the new name?
- A. You should continue to issue the Form W-2 in the old name until the employee shows you an updated social security card with the new name. Please refer to [Publication 15](#), near the bottom of the left hand column of page 13, 'Correctly record the employee's name and SSN.'
16. Q. Can an employee submit a Form W-4 changing their withholding allowance (increase withholding) for special payrolls?
- A. This is an example where it is appropriate for an employee to submit a new Form W-4 to the employer. See [Publication 505](#), Section 1, 'Changing Your Withholding,' on page 3.
17. Q. What is the rule for lump sum distribution of \$457 plans? Is there a 20% withholding rule?
- A. See [Publication 15-A](#), the section on 'Eligible Rollover Distribution – 20% Withholding,' toward the bottom of the right hand column on page 23. You may also wish to refer to Notice 2003-20, which can be found in Internal Revenue Bulletin No. 2003-19.
18. Q. Box 12 Code W - Includes both ER and EE contributions?
- A. Box 12, Code W, includes both employer contributions to a Health Savings Account (HAS) and amounts an employee elected to contribute under a Section 125 (cafeteria) plan to the HSA. See the [General Instructions for Forms W-2 and W-3](#), toward the bottom of the right hand column on page 18.
19. Q. Did I hear it correctly that government entity should never check Box 13, Third Party Sick Pay?
- A. Yes. Box 13 for Third Party Sick Pay is checked by the entity that makes the sick pay payments to the employee. See the [General Instructions for Forms W-2 and W-3](#), the section on Box 13 – Checkboxes, on page 19.

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20. Q. Where can we find non-taxable income? Specifically, disability wages for an on the job injury? Is all wages including premium pay considered non-taxable wages?
A. Please refer to [Publication 525](#) for information on non-taxable income.
21. Q. Are electronic signatures on Form W4 acceptable with the IRS?
A. Treasury Regulations Section 31.3402(f) provides that an employer may establish a system to electronically receive Forms W-4 from employees. Please refer to [Publication 15](#), in the middle of the left hand column of page 20, the section titled ‘Electronic system to receive Form W-4,’ See also [Publication 15-A](#), page 3, the section titled ‘Electronic Submission of Forms W-4, W04P, W04s and W04V.
22. Q. Could you go over the repayment in a prior year
A. See the [General Instructions for Forms W-2 and W-3](#), ‘Repayments,’ on page 11.
23. Q. If no recorded session available, can you please repeat the session in the future? Thank you.
A. Yes, we will. We are pleased that you found the presentation informative and useful.
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Federal, State and Local Governments

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