

# A Guide to W-4s

**-Does not apply to International Student Employees-**

## **When does a NEW W-4 Form need to be completed?**

- Anytime an employee wishes to change their marital status &/or allowances.
- Annually if claiming EXEMPT from either Federal or State taxes.

## **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:**

- the employee is claimed as a dependant on someone else's tax return,
- AND the employee's wages plus non-wage income (such as interest on a savings account) will be more the \$950.

## **IMPORTANT:**

If an employee does choose to claim EXEMPT the Federal and State Tax allowance boxes MUST be left blank on the W-4 form.

## **How many exemptions should an employee take?**

- The higher the number of allowances, the less amount of tax that will be taken.
  - Marital Status: SINGLE with ZERO Federal & State Allowances - 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 address should Student Employees put down on the W-4 form?**

Student employees should provide 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 the permanent address is out of state?**

If an employee is a resident of Indiana, Illinois, Michigan, or Kentucky the student does *not* have to pay Wisconsin state tax because of tax reciprocity agreements between states.

NOTE: The applicable boxes MUST be checked:

- Indiana,  Illinois,  Michigan or  Kentucky
- AND the EXEMPT for Wisconsin State Tax:  Yes.

## **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 each December if they want to continue being EXEMPT for the following calendar year. If a new W-4 form is NOT completed each year, his/her tax withholding status for the following year is: SINGLE with ZERO allowances.

EXAMPLE: If you want to claim EXEMPT for the Year 2012, you must complete a new W-4 form by December 31, 2011.

## **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.

## **Are my WORK STUDY earnings taxable?**

Yes. Any money you receive as a result of work is considered taxable income.

If taxes are withheld from your paycheck -- you *may* be eligible for a refund. Your total annual earnings, from ALL jobs held over the course of the calendar year, determines your refund eligibility. It is in your best interest that you file a tax return with the Internal Revenue (IRS) by April 15<sup>th</sup>.