



**Peter Franchot**  
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TO: All State Agencies

FROM: Robert J. Murphy, Director  
Central Payroll Bureau

DATE: January 4, 2012

SUBJECT: Annual Filing of Employee Withholding Exemption Certificate

Employees who currently claim exemption from Federal and/or State income tax withholding should be made aware that this exemption from withholding requires an annual filing of the Form W-4/MW-507. Those employees who currently claim exemption from withholding will find the exemptions block of their Employees Earnings Statement (pay-stub) filled with an "EX" for the appropriate withholding tax.

Under current Federal tax law, the claim of exemption from Federal withholding is very limited. If an employee expects to be claimed as a dependent on another person's tax return (for example, on a parent's tax return), the employee may not be exempt. Current exempted employees should review their claim of exemptions and:

- a. If the employee expects to have Federal and/or State income tax liability for calendar 2012, submit a new W-4/MW-507 as soon as possible. Remember to sign and date the form before submitting to Central Payroll Bureau. **Please note** that this filing pertains only to those employees who are changing from exempt to taxable.
- b. If the employee wants to continue claiming exemption from Federal and/or State withholding tax for calendar 2012, they need to file a new form W-4/MW-507 on or before February 15, 2012. The form W-4/MW-507 will be processed as quickly as possible but not retroactively.

IRS regulation requires employers to institute maximum tax withholding for those employees who are currently claiming exempt status but do not re-file with their employer by February 15, 2012.

The "Military Spouses Residency Relief Act" provides exemption for some military spouses and should be reviewed by those who are residing in Maryland in compliance with military orders. The **MW507M** form for withholding should be submitted in addition to the **MW507** form to comply with requirements of this "Act."

Attached is a report, where applicable, of active employees in your agency who currently claim Federal and/or State tax exemption from withholding and currently earn more than \$200 per week. The report can facilitate your communication with employees who currently claim exempt status.

Form W-4/MW-507 and MW507M are available from our website:

<http://compnet.comp.state.md.us/cpb>

Click on General Information  
Forms

“Net Pay Calculator” is also available on the home page of our web site. Employees can estimate their tax withholdings by using this interactive tool.

Copies of this memorandum should be made available to all employees and directed specifically to those who are currently claiming exemption per enclosed list.

Attachment (where applicable)  
Exempt 2012