



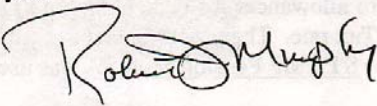
COMPTROLLER
of MARYLAND
Serving the People

Peter Franchot
Comptroller

Robert J. Murphy
Director
Central Payroll Bureau

April 16, 2009

TO: All State Agencies and Employees

FROM: Robert J. Murphy, Director
Central Payroll Bureau 

SUBJECT: Prompt Submission of Employee Withholding Allowance
Certificate (IRS Form W-4/Maryland form MW 507) – “Form W-4”

Prompt submission of the “Form W-4” is to the advantage of all employees. In the absence of a Form W-4, the federal and state tax laws and regulations mandate maximum income taxes be withheld as follows:

Federal maximum income tax is - single status with zero allowances (exemptions).

Maryland State maximum income tax is - single status with one allowance (exemption).

County Tax at maximum rate is currently 3.20 %, added to the State tax

Upon receiving the W-4 form from the employee the withholding status will be changed accordingly for future pays. Tax regulations preclude an employer from making retroactive adjustments to the taxes already withheld. Any over-payment of taxes is refunded to the employee when they file their taxes for that year.

Please be reminded that recent changes have been enacted for both the Maryland state income tax rates and the federal income tax withholding rates. In calendar year 2008 State income taxes rates and personal exemption amounts had changes based on graduated levels of income. The American Recovery and Reinvestment Act of 2009 reduced withholding rates of federal income tax for some taxpayers and were instituted in the state payroll system 3/11/09. Information on withholding changes should be reviewed prior to submission of any new W-4/MW507 form and may be viewed using the IRS Publication 15-T or accessed via our Web site home page:

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

Click on - Employee/News and Information

New Federal Tax Withholding Tables are Now in Affect
State Withholding Tax Changes in 2009

Accuracy on the W-4 gives the employee a better match between taxes withheld and taxes that may be due at year end. As demonstrated on the following pages, maximum income tax coupled with social security taxes results in a significant tax withholding obligation for employees. Therefore, newly hired employees or employees with a changed financial status should promptly complete and submit their Form W-4/MW507 to the Central Payroll Bureau. Submission of W4/MW507 updates may be accomplished electronically by using our online system POSC. Forms may still be downloaded for mailing, from our web site home page (found under General Information, use the link for FORMS).

Employees should also be reminded that our Net Pay Calculator is a great tool for estimating withholding tax. This feature can be found on our web site home page under Online Services. We recommend that employees use a copy of their current wage statement (pay stub) information, to help guide them through its use.

Annapolis Data Center, P.O. Box 2396, Annapolis, Maryland 21404-2396 • 410-260-7401 • 1-888-674-0019 (MD)

Fax: 410-974-2473 • Maryland Relay 711 • TTY 410-260-7157 • cpb@comp.state.md.us

2009
Employee Taxation

Scenario #1 – Employee fails to submit a Form W-4 and maximum taxation is invoked. Employee is taxed as Single with zero allowances for Federal Income Tax; one allowance for State Income Tax and a 3.20% County Income Tax rate. The tax for Social Security purposes is 7.65% of wages and a pre-tax retirement deduction for ST EMP Pension Mod 5% was used. The data are shown at three levels of income.

	Bi-Weekly Wage		
	\$1,000	\$2,000	\$3,000
Federal Income Tax	95.14	289.01	535.83
State Income tax-including County Tax at 3.20% rate	63.60	143.10	222.60
Social Security Tax	76.50	153.00	229.50
Total Tax	235.24	585.11	987.93
% of Wage	23.52%	29.26%	32.93%

Scenario #2 – Employee submits a Form W-4 which shows that the employee is Married, claiming four allowances for both Federal and State income tax purposes. The County of Record is described as Anne Arundel (a 2.56% County), and the address verifies that claim. Employee is taxed as Married with four allowances for Federal and State income Tax and a 2.56 % County Income Tax rate. The employee is taxed for Social Security purposes at 7.65% of wages and a pre-tax retirement deduction for ST EMP Pension Mod 5% was used. The data are shown at three levels of income.

	Bi-Weekly Wage		
	\$1,000	\$2,000	\$3,000
Federal Income Tax	-0-	93.68	236.44
State Income Tax-including County Tax At 2.56%	31.48	104.58	177.68
Social Security Tax	76.50	153.00	229.50
Total Tax	107.98	351.26	643.62
% of Wage	10.80%	17.56%	21.45%

Source: Central Payroll Bureau
W4prmpsubmit04_09