

<b>Department:</b> Payroll	<b>SOP #:</b> PYW414	<b>SOP Title:</b> W-4 Processing	<b>Effective Date:</b> 6/02/2014
<b>Prepared by:</b> Lisa Smith, Payroll Mgr.	<b>Revision #:</b> 1.0	<b>Supersedes:</b> 0.0	<b>Date Prepared:</b> 5/14/2014
<b>Reviewed by:</b> Jane Jones CFO	<b>Standards:</b> IRS Topic 753 IRS Publication 15	<b>Approved By:</b> Jane Jones CFO	<b>Date Approved:</b> 5/26/2014

**Policy:** All taxation of employees will be in accordance with the company's W-4 Processing Policies. IRS regulations will be followed at all times and consulted when questions arise. {The Company} maintains a zero-tolerance position on the disregarding of legal responsibilities by any officer or other employee of the organization.

**Purpose:** To maintain legally compliant taxation practices for all employees. Compliance protects employees and allows {The Company} to operate in an *audit secure* environment, knowing all processes are aligned with federal code with checks and balances conducted performed regularly.

**Scope:** This procedure applies to all W-4 taxation of full-time, part-time or temporary employees.

**Responsibilities:**

CFO -  
Payroll Manager -  
Payroll Clerk -  
{Etc. - }

**Definitions:** Allowances -  
Dependents -  
Exempt -  
Lock-in letter -  
{Etc. - }

**Procedure:**

**1.0 NEW EMPLOYEE W-4 ONBOARDING**

- 1.1 The Payroll Clerk, Payroll Manager, or CFO may assist a new employee with the onboarding process. **If properly trained**, an HR manager or HR generalist may also perform this task.
- 1.2 The staff member assisting the new employee **must** follow these **mandatory** standards:
  - a) No advice is to be given on the employee's completion of the W-4 at the federal or state level. When an employee asks for advice, the only offer to be made is a referral to [www.irs.gov](http://www.irs.gov), [www.turbotax.com](http://www.turbotax.com), or their tax preparer. You-tube also has several videos explaining completion of the W-4.

- i. {Company} and individual representatives can be held liable for advice given to employees if such advice adversely affects the employee. Therefore, anyone found to be advising on completion of form W-4 will be counseled and subject to corrective action at the discretion of {Company} up to the point of termination.
  - b) W-4 should be printed and legible. The payroll representative should review the completed W-4 “through the eyes of an auditor” who will not be familiar with an employee or their handwriting. Any numbers or letters that could be questionable to the point of altering the outcome of the taxation or identification of the employee will be cause for destruction of the W-4 and completion of a new form by the employee.
  - c) The employee may not strike-through, white-out, scribble, scratch-out, or make any changes or alterations to any part of the W-4. Any of these actions invalidate the W-4, even if the changes are accompanied by a date and the employee’s initials.
  - d) If an invalid W-4 is found to be in the possession of an employer, the IRS requires the employer to withhold at single-zero until such a time as the employee returns to complete a valid form W-4. Payroll should inform the employee of this policy, should this become necessary to enforce.
  - e) The employee must not choose allowances and “exempt”. This invalidates the W-4. See d) above for guidance on handling an invalid W-4.
  - f) The employee must not choose only a flat dollar amount in box 6. This invalidates the W-4. If the flat amount is preferable, box 5 must also contain a number of allowances. 99 would be acceptable.
- 1.3 All new employees must complete the federal and state W-4 upon hire. If the W-4 is not received by the first pay date, taxation will be performed at single-zero.
- 1.4 {etc.}
- 2.0 SECOND ACTIVITY –FIRST LEVEL OF ACTION**
- 2.1 [Who performs the first step of the activity and what do they do?]
- [Use bullets to improve readability]
  - [Use bullets to improve readability]
- 2.2 [Who performs the second step of the activity and what do they do?]
- [Use bullets to improve readability]
  - [Use bullets to improve readability]
- [NOTE: point out key elements. What forms are needed to capture what data?]
- 2.3 [etc...].
- 3.0 THIRD ACTIVITY – NEXT LEVEL OF ACTION OR VERIFICATION STAGE**
- 3.1 [Who performs the first step of the activity and what do they do?]
- 3.2 [Who performs the second step of the activity and what do they do?]
- [Use bullets to improve readability]

- [Use bullets to improve readability]

**4.0 FOURTH ACTIVITY – NEXT ACTION OR FOLLOW-UP STAGE**

- 4.1 [Who performs the first step of the activity and what do they do?]
- 4.2 [Who performs the second step of the activity and what do they do?]
- 4.3 [etc...]

**5.0 LIST MORE ACTIVITIES AS NEEDED – TRAINING PROCEDURES FOR EMPLOYEES**

- 5.1 [Who performs the first step of the activity and what do they do?]
- 5.2 [Who performs the second step of the activity and what do they do?]

**Internal Audit Process:**

- 6.0 [How do we measure the effectiveness of the SOP?] – **AUDIT PROCEDURES**
- 6.1 [What records are required to be completed?] – **CREATE CHECKLISTS**

**Reasonable Basis:**

**A. STANDARDS, LAWS OR REGULATIONS**

IRS Topic 753 and Publication 15 may be used to establish Reasonable Basis for all actions under this SOP. Also, the instructions on form W-4 may also be used to inform the process.

**B. OTHER PROCEDURES, DOCUMENTS, RESOURCES, ETC.**

SHRM provides guidance on completion of form W-4. The Payroll Answer Book Chapter 2 provides guidance regarding W-4 processes per IRS guidelines.

**Forms/Records:**

Name or No. of Form / Document	Link to Form or Document	Refers to Procedure
<b>Required by Law</b>		
W-4	<a href="#">W-4 form IRS.pdf</a>	1.3
Stw4	<a href="#">W-4 form State.pdf</a>	1.3
<b>Other Applicable Forms, Publications, Documents, or Web Links</b>		
Topic 753	<a href="#">Topic753.pdf</a>	2.2
Publication 15	<a href="#">Publication 15.pdf</a>	1.3
IRS Website	<a href="http://www.irs.gov/publications">www.irs.gov/publications</a>	3.3
Audit Checklist	<a href="#">W-4 Audit Checklist.pdf</a>	

**Revision History:**

Revision	Date	Description of Changes	Approved By
1.0	06/02/2015	Initial Release	Jane Jones CFO