

STATE CONTROLLER'S OFFICE  
PERSONNEL AND PAYROLL SERVICES DIVISION  
P.O. BOX 942850  
SACRAMENTO, CA 94250-5878

DATE: May 6, 2010

PERSONNEL LETTER #10-008  
(CSU ONLY)

TO: All Campuses in the Uniform State Payroll System

FROM: Lisa Crowe, Chief  
Personnel and Payroll Services Division (PPSD)

**RE: NEW PROCEDURES FOR STUDENT PAYROLL ACTION REQUESTS FOR EMPLOYEES  
WITH AN "IRS LOCK"**

As indicated in Personnel Letters #09-025 and #10-005, the California Code of Regulations Title 22 Section 4340-1 requires the Internal Revenue Service (IRS) lock-in determination letter to be applied to the California state tax withholding status of an employee. A lock-in letter results when the IRS determines that the amount of income tax withheld from the employee's pay will not adequately cover the employee's tax liability as required by the IRS Code Section 3402.

To ensure compliance with the IRS regulations, the State Controller's Office (SCO) has modified the Student Payroll Action Request (SPAR) process to prevent campuses from updating the tax withholding status of employees with an IRS lock. If an attempt is made to process a SPAR transaction that includes a federal or state tax withholding change for an employee with an IRS lock, the transaction will reject and the SCO will notify the campus accordingly. Upon the notification, return the SPAR document to the employee with the instructions that she/he must receive authorization from the IRS in order to make the requested change.

For more information regarding the IRS lock-in determination letter procedures, please refer to Personnel Letters #05-003 and #09-025. Questions regarding the lock update process can be directed to Donna Collins at (916) 322-8141 or [djcollin@sco.ca.gov](mailto:djcollin@sco.ca.gov).

LC:JG:PMAB