



Federal Withholding FAQs

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Where can I find the new EAR/SPAR Form?

The updated versions of the forms [STD 686](#) EAR and [STD 457](#) SPAR are located on the DGS website. You may also locate the forms on the State Controller's Office website at https://www.sco.ca.gov/ppsd_2020fedwithholdings.html.

Why redesign the EAR/SPAR Form?

Per the IRS, the new design reduces the form's complexity and increases the transparency and accuracy of the withholding system. While it uses the same underlying information as the old design, it replaces complicated worksheets with more straightforward questions that make accurate withholding easier for employees. For more information, see #2 [FAQs on the 2020 Form W-4](#).

What are the new items added to the EAR/SPAR form?

Section EI – Federal Withholding

- E02 – Marital Status - HEAD OF HOUSEHOLD (New)
- E03 – EXEMPT FROM FEDERAL WITHHOLDING
- E04 - HIGHER WITHHOLDING (TWO JOB INDICATOR-STEP 2(C) ON THE IRS 2020 FORM W-4)
- E05 - CLAIM DEPENDENTS
- E06 - OTHER INCOME (NOT FROM JOBS)
- E07 - DEDUCTIONS

What amount do I need to enter on these new items?

Please see the instructions on the 2020 W-4 at <https://www.irs.gov/pub/irs-pdf/fw4.pdf>. The dollar amount to be entered on these new items should be an annual (whole year) dollar amount. Employees are encouraged to use the Tax Withholding Estimator provided by the Internal Revenue Service (IRS) at www.irs.gov/W4app.

If my tax situation is simple, do I need to complete these new items?

Marital Status (E02) and Higher Withholding (E04) are mandatory fields. All other fields (E03, E05-E07) are optional and should be completed only, if applicable. Completing these new items means your withholding is more accurate to reflect your tax liability. For more information, see # 5, [FAQs on the 2020 Form W-4](#).

Is there a computer program I can use to help me complete the EAR/SPAR form?

Yes. To provide maximum accuracy, you are encouraged to use the Tax Withholding Estimator available at www.irs.gov/W4app.

For questions about the new form W-4, go to the IRS website at <https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>. For more information on CA state withholding form, refer to EDD Form DE4, Employee's Withholding Allowance Certificate at https://edd.ca.gov/pdf/pub_ctr/de4.pdf. For help in completing/reviewing the new EAR/SPAR form consult your tax advisor.

What are the new fields added to the EAR/PIMS online screen?

There are four (4) new data elements to the EAR online screen.

- HW (Higher Withholding)
- DEP AMT (Dependent Amount)
- OTH INCOME (Other Income)
- DEDUCTIONS

Where are the new tax fields located in EH/PIMS?

The new tax fields are located just below the "State Marital" fields on the EAR screen.

```
EMPLOYEE ACTION REQUEST-SEPARATION/DISPOSITION
PROCESS DATE 00 / 00 / 00
SSA NUMBER          EMPLOYEE LAST NAME      FIRST AND INITIAL
STATE: MARITAL      TOTAL  LOCK  FEDERAL ADDL DEDUCTION  STATE ADDL DEDUCTION
S                 01    00    0.00                   0.00
STATE: MARITAL      REG  ADDL  EXEMPT FROM WITHHOLD/NON-TAXABLE WAGES
                 00    00    00 00 00
HW DEP AMT OTH INCOME DEDUCTIONS
0          0.00      0.00
MCP
WAVE NUMBER
```

What should I know about the new EAR tax fields?

<u>Field Name</u>	<u>Required/Optional</u>	<u>Value</u>
Higher Withholding Indicator (HW)	Required	N (NO), Y (YES)
Dependent Amount (DEP AMT)	Optional	Numeric, whole number, 5 bytes (99999)
Other Income (OTH INCOME)	Optional	Numeric, decimal allowed 8 bytes (999999.99)
Deductions (DEDUCTIONS)	Optional	Numeric, decimal allowed 8 bytes (999999.99)

What happened to the federal withholding allowances?

Allowances are no longer used for federal withholding on the revised EAR/SPAR form. According to IRS, this change is to increase transparency, simplicity, and accuracy of the form. In the past, the value of a withholding allowance was tied to the amount of the personal exemption. Due to changes in law for federal withholding, you can no longer claim personal or dependency exemptions. For more information, see # 3 FAQs on the 2020 Form W-4 (<https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>)

Can an employee claim exemptions/allowances for federal on or after 12/01/2020?

No. Effective 12/01/2020 employees cannot claim personal and additional exemptions/allowances for Federal withholding. See IRS [Publication 15-T](#), and 2020 W-4 FAQs <https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>.

How can I claim zero (0) allowances on this new EAR/SPAR form?

On the new 2020 EAR/SPAR form, the nearest equivalent of claiming zero allowances for federal is completing the Marital Status (E02) and indicating Y in Higher Withholding (E04). For state, fill out the Marital Status box and indicate "0" on regular allowances. This will determine federal and state withholding based on your filing status, the tax rates, and no other adjustments.

New EAR form has 'Head of Household' as an option filing status for Federal withholding; is this new?

Yes. Filing status 'Head of Household' is new for Federal withholding and can be used effective 12/01/2020. Refer to the link for more information. <https://www.irs.gov/pub/irs-pdf/p15t.pdf>.

What value(s) are allowed for HW?

The value for HW must be N or Y. N (NO) means no to higher withholding. Y (YES) means yes to higher withholding. Refer to IRS website for withholding rates. <https://www.irs.gov/pub/irs-pdf/p15t.pdf>

Can the HW field be left blank?

Higher Withholding (HW) is a required field. The HW field cannot be left blank if processing tax changes after 12/01/20. The HW field must be completed with N or Y.

Can an employee claim exemptions/allowance for State withholding?

Yes. Employees can continue to claim exemptions/allowances for State withholding. See EDD [Form DE4](#) and [CA Withholding Schedules for 2020 Method B](#).

Do other states conform to the federal termination of withholding allowances?

Not all states. California, New York, and Illinois states retain the withholding allowances.

What should departments do if an employee turns in the old version of the EAR form (STD 686) on or after 12/01/2020?

Departments are not to accept older versions of EAR form on or after 12/01/2020. The department should provide the new EAR form (STD 686) or direct the employee to the DGS website for the updated version of the form. <https://www.dgs.ca.gov/PD/Forms>.

Are all employees required to submit a new EAR (STD 686)/SPAR (STD 457) form effective 12/01/2020?

No. Employees who submitted EAR forms prior to December 1, 2020 are not required to furnish a new EAR/SPAR form merely because of the redesigned EAR/SPAR. The State Controller's Office will continue to compute withholding based on the information from the employee's most recent EAR/SPAR form. New employees and employees who want to change their withholding must complete a new EAR/SPAR form.

Starting December 1, 2020, new employees who fail to furnish a properly completed EAR/SPAR form will be treated for federal as single and withhold using the Standard Deduction and no other adjustments. For state withholding, employees who failed to provide a new EAR/SPAR form will be treated as Single with zero (0) allowances. For more information, refer to IRS [Publication 15-T](#) and EDD Form [DE4](#).

How do you determine my withheld amount?

For federal, the new EAR/SPAR form will be used to determine how much income tax to withhold based on your marital status, higher withholding (HW) indicator and any other adjustments you decide to include on the form. For computation of federal withholding refer to [Payroll Procedures Manual \(PPM\) Section H 108](#).

For state, the amount of tax withheld is determined by the following:

- Marital status.
- The number of allowances claimed on EAR/SPAR form.

For state withholding computation, refer to [PPM Section H 110](#).

No changes were processed by the department for the employee. Why do I see values in the three new data fields?

The new data fields will be updated with default values. The HW field will be blank.

What tools are available for employees to use when completing the new EAR form (STD 686)?

To get the most accurate withholding, employees can use the IRS's Tax Withholding Estimator. <https://www.irs.gov/individuals/tax-withholding-estimator>. Employees can also use the paycheck calculator on the SCO's website. https://www.sco.ca.gov/ppsd_se_paycheck_calc.html.

An employee wrote EXEMPT in box E03 on the EAR form. How do I enter this into PIMS?

By completing E03 on the EAR, the employee is claiming exemption from federal withholding only. Enter State information as documented on the EAR. The Federal is to be keyed as follows (all fields must be entered below).

- Federal marital status: **E**
- HW = **N**
- DEP AMT: **00**
- OTH INCOME: **00**
- DEDUCTION: **00**

Can employees claim Federal Additional Deduction if claiming exemption from Federal only?

Yes. Employees can claim Federal Additional Deduction. This amount should be keyed in "FEDERAL ADDL DEDUCTION" field in EH.

What should I do if I receive an audit message?

If you receive an audit message, please refer to section 6 of the PAM. https://www.sco.ca.gov/Files-PPSD/pam_section_6_earprocessing.pdf.

How does the HW box work?

If the higher withholding (HW) indicator is yes (Y), the tax tables divide the standard deduction and tax brackets equally between two jobs, so that tax rates apply at roughly half of the income threshold that normally applies.

For example, for the Married Filing Jointly status, the 24% rate normally applies for wages over roughly \$180,000, but if the HW shows "Y", the 24% rate applies to wages over about \$96,000. Refer to IRS [Publication 15-T](#) for more information.

What do I do if the employee has a lock?

If the employee has submitted a change to the withholding and there is a lock in place, the withholding must be for MORE than what is currently locked by the IRS. If it is less, return to the employee, as it cannot be processed due to the lock currently in effect.

If the request is for MORE withholding than what is currently locked by the IRS, SCO will need to process the EAR. Please forward the EAR to PPSD, W-2 Unit.

How do I key PERM exempt for a deceased employee?

When an update to the EAR is required for a deceased employee, the following fields must be completed to make them PERM exempt from withholding:

- FEDERAL MARITAL: **S**
- TOTAL: **00**
- FEDERAL ADDL DEDUCTION: **0**
- STATE ADDL DEDUCTION: **0**
- STATE MARITAL: **S**
- REG: **00**
- ADDL: **00**
- EXEMPT: **N**
- HW: **N**
- DEP AMT: **00**
- OTH INCOME: **00**
- DEDUCTION: **00**

If you receive any errors, back out of the screen and rekey. All fields **must be completed**.

If the deceased employee has a lock, please forward the EAR to PPSD, W-2 Unit for processing.

How should employees whom are nonresident aliens complete the new EAR?

If NRA employee is not subject to a treaty, the new EAR should be completed as follows:

Section E –

Section I - Federal Withholding

E01 – Nonresident Alien – **X**

E02 – Marital Status – **Single**

- Single must be marked regardless of actual marital status

E03 – Exempt from Federal Withholding – **Cannot claim even if all conditions are met**

E04 – Higher Withholding – **Required**

- **Y** – if employee has more than one job – use worksheet or select higher withholding
- **N** – only one job

E05 – Claim Dependents - **Optional**

- Only certain nonresident aliens should claim dependents
- NRA from Canada, Mexico, South Korea, or India may claim the child tax credit or credit for other dependents.

E06 – Other Income – **Optional**

E07 – Deductions – **Optional**

Section II – State Allowances

E08 – Marital Status – **Single**

E09 – Regular Allowance – **1**

E10 – Additional Allowances – **Optional**

Key all the “white” highlighted fields

FEDERAL: MARITAL	TOTAL	LOCK	FEDERAL ADDL DEDUCTION	STATE ADDL DEDUCTION
S	00		0.00	0.00
STATE: MARITAL	REG	ADDL	EXEMPT FROM WITHHOLD/NON-TAXABLE WAGES	
S	01	00	00 00 00	
HW DEP AMT	OTH	INCOME DEDUCTIONS		
Y/N	0	0.00	0.00	MCP
				WAVE NUMBER

How should the EAR be entered if the employee is subject to a tax treaty?

If NRA employee is subject to a treaty, the new EAR should be completed as follows:

Section E –

Section I - Federal Withholding

E01 – Nonresident Alien – **X**

Section V – Nontaxable Wages

E14 – **X the box**

Select from the dropdown - **Nonresident Alien Wages**

Please refer to the back of the EAR form:

IF YOU WILL RECEIVE NONTAXABLE WAGES, please indicate the reason on your withholding claim in the space provided. The reason must be one of the following:

b. "Nonresident Alien per Tax Treaty" (indicate on claim: "Exempt per Article ___ of treaty between United States and (Country).") Tax Treaty must cite exemption from both Federal and State personal income tax to qualify for this exemption.

Where can I find information/references regarding new IRS changes?

- SCO Personnel Letter #20-028 can be referenced for additional information (https://www.sco.ca.gov/Files-PPSD-Letters/Pers/2020_e20-028.pdf)
- SCO Payroll Letter #20-028 can be referenced for additional information (https://www.sco.ca.gov/Files-PPSD-Letters/Payr/2020_p20-028.pdf)
- IRS Publication 15-T (<https://www.irs.gov/pub/irs-pdf/p15t.pdf>)
- EDD Form DE4 (https://edd.ca.gov/pdf_pub_ctr/de4.pdf)
- 2024 Form W-4 (<https://www.irs.gov/pub/irs-pdf/fw4.pdf>)
- EDD Employee Withholding Allowance (https://www.edd.ca.gov/Payroll_Taxes/Rates_and_Withholding.htm#de4)
- EDD California Withholding Schedule Method B
- [2024 California Withholding Schedules - Method A](#)