



Treasury Financial Manual

Bulletin No. 2005-05

Volume I

Retention: May 31, 2006

To: Heads of Government Departments, Agencies, and Others Concerned

Subject: Revised I TFM 3-4000: Federal Income, Social Security, and Medicare Taxes

1. Purpose

This TFM bulletin notifies agencies that employer submission requirements for the Form W-4: Employee's Withholding Allowance Certificate, have changed. Effective April 14, 2005, the Internal Revenue Service (IRS) no longer requires employers to routinely submit Form W-4s. Employers may be directed (in a written notice or in future published guidance) to send certain Forms W-4 to the IRS. Consequently, I TFM 3-4000, subsection 4025.60, has been amended as follows:

4025.60—Submission Requirements for Form W-4

In the past, employers had to routinely send the IRS any Form W-4 claiming more than 10 allowances or claiming complete exemption from withholding if \$200 or more in weekly wages was expected. Employers no longer have to submit these Forms W-4 to the IRS. However, Forms W-4 are still subject to review. Employers may be directed (in a written notice or in future published guidance) to send certain Forms W-4 to the IRS.

The IRS also will use information reported on Forms W-2: Wage and Tax Statement, to more effectively identify employees with withholding compliance problems. In some cases, where a serious under-withholding problem is found to exist for a particular employee, the IRS may issue a notice (commonly referred to as a "lock-in letter") to the employer specifying the maximum number of withholding allowances permitted for a specific employee. After the IRS issues a lock-in letter, if the employee wants to claim complete exemption from withholding or to claim a number of withholding allowances more than the maximum number specified by the IRS in the lock-in letter, the employee must submit a new Form W-4 and a written statement to support the claims made by the employee on the Form W-4 to the IRS. The employer must disregard this new Form W-4 until the IRS notifies the employer to withhold tax based on the new Form W-4. However, if, at any time, the employee furnishes a Form W-4 that claims a number of withholding allowances less than the maximum number specified in the lock-in letter, the employer must withhold tax based on that Form W-4.

2. Effective Date

This bulletin is effective immediately.

3. Inquiries

Direct inquiries regarding this bulletin to:

Office of the Chief Counsel
Internal Revenue Service
Office of the Associate Chief Counsel
(Tax Exempt and Government Entities)
1111 Constitution Avenue, NW., Room 4311
Washington, DC 20224
Telephone: 202-622-6040



Richard L. Gregg
Commissioner

Date: May 25, 2005