



COMPTROLLER of MARYLAND

Brooke E. Lierman
Comptroller

Dhiren V. Shah
Director
Central Payroll Bureau

TO: All State Agencies and Employees

FROM: Dhiren V. Shah, Director
Central Payroll Bureau

DATE: February 23, 2023

SUBJECT: Prompt Submission of Employee's Withholding Certificate
(IRS form W-4 and Maryland form MW507)

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 to be withheld as follows:

Federal maximum income tax is – Single or Married Filing Separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2020 Form W-4. However, an employee who was paid wages before 2020 and who failed to furnish a Form W-4 should continue to be treated as Single with zero allowances on a 2019 or earlier Form W-4.

Maryland State maximum income tax is – Single status with one withholding 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 pay periods. Tax regulations preclude an employer from making retroactive adjustments to the taxes already withheld. Any overpayment of taxes is refunded to the employee when they file their taxes for that year.

Information concerning federal income tax withholding and applicable tables can be found in the IRS 2023 Publication 15 (Circular E), Employer's Tax Guide. Maryland state income tax withholding rates and personal exemption amounts may be accessed through the Comptroller's Website www.marylandtaxes.gov

Information on withholding should be reviewed prior to submission of any new W-4 and MW507 form. For easy access we have provided the following memos on our website:

<https://marylandtaxes.gov/statepayroll/employees-current-memos.php>

2023 Maryland State and Local Income Tax Withholding Information
2023 Federal Income Tax Withholding Information
2023 Annual Filing of Employee Withholding Exemption Certificate

The following link is to our forms:

<https://marylandtaxes.gov/statepayroll/payroll-forms.php>

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 below, 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



P.O. Box 2396 Annapolis, Maryland 21404-2396 410-260-7401 1-888-674-0019 (MD) www.marylandtaxes.gov

Fax: 410-974-2473 Maryland Relay 711 TTY 410-260-7157 or 1-800-735-2258 cpb@marylandtaxes.gov

promptly complete and submit their Form W-4 and/or MW507 to the Central Payroll Bureau. Submission of W4 and/or MW507 updates may be accomplished electronically by using our online system POSC. Here is the link:

<https://interactive.marylandtaxes.gov/Extranet/cpb/POSC/User/Start.aspx>

An original hard copy form is required for all initial submissions and when claiming “exempt” status. Hard copy forms may be downloaded for mailing, from our web site:

<https://www.marylandtaxes.gov/statepayroll/payroll-forms.php>

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.

Scenario #1 – Employee fails to submit a Form W-4 and/or MW 507 and maximum taxation is invoked. Employee is taxed as Single or Married Filing Separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2020 or later Form W-4, Single with 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 7% was used. Taxing shown at three levels of income are:

	Biweekly Wage		
	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>
Federal Income Tax	39.71	150.77	316.00
State Income tax-including County Tax at 3.20% rate	62.37	141.87	221.37
Social Security Tax	76.50	153.00	229.50
Total Tax	178.58	445.64	766.87
% of Wage	17.85%	22.28%	25.56%

Scenario #2 – Above employee submitted a Form W-4 in 2023 which shows that the employee is Married, no ✓ in STEP 2 checkbox, claiming other dependents credit W-4 Step 3 \$2000. The County of Record of residence is Baltimore (a 3.20% County). Employee is taxed as Married with four allowances for State income Tax and a 3.20% 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 7% was used. Taxing shown at three levels of income are:

	Biweekly Wage		
	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$3,000</u>
Federal Income Tax	-0-	2.50	113.04
State Income Tax-including County Tax At 3.20%	33.02	112.52	192.02
Social Security Tax	76.50	153.00	229.50
Total Tax	109.52	268.02	534.56
% of Wage	10.95%	13.40%	17.82%