

INSTRUCTIONS & WORKSHEET FOR COMPLETING WITHHOLDING FORMS FOR MARYLAND STATE EMPLOYEES

The law requires that you complete an Employee's Withholding Allowance Certificate so that your employer, the state of Maryland, can withhold federal and state income tax from your pay. Your current certificate remains in effect until you change it.

If you have previously filed as "EXEMPT" from federal or state withholding, you must file a new certificate annually by February 15 of each year.

Complete the Employee's Withholding Allowance Certificate as follows:

- Please check type of payroll: Regular (RG), Contract (CT), or University of Maryland (UM)
- Name of Employing Agency – Enter name of agency. Pennsylvania and Wilmington, Del., residents enter location (county or Baltimore City) in which agency is located

Blocks 1 and 2

- Agency Number – Provided by Agency Payroll Office
- Employee Social Security Number
- Employee Name – Complete first name, middle initial, last name
- Home Address – Street name and number or R.D. number
- Address Continued – Apartment number or P.O. Box number. Pennsylvania residents enter township or borough in which they reside. Wilmington, Del., residents enter Wilmington, DE
- City, State, ZIP Code – Abbreviate state; enter complete five-digit ZIP code
- County of Residence – Enter Baltimore City or Maryland county in which you presently reside

Block 3

- Marital Status – Follow the instructions in this box, which are required for federal tax purposes

Block 4

- If your last name differs from that on your Social Security card, call 1-800-772-1213 for a new card

Blocks 5 and 6

- Follow the guidance of the IRS instructions that follow to fill in the "federal" column of the form.
- If claiming state exempt in Block 8 make no entry on Blocks 5 and 6 under state.
- Follow the guidance of the Maryland Instructions to fill in the "state" column of the form.

Block 7

- Students and part-time employees may not be required to have Maryland income tax held from their pay if they expect to have less than \$8,200 in income in 2006. See state instructions on the back cover.

Block 8

- If claiming state exempt, complete address, county, and state and write "Exempt" where indicated. This block is to be used only by residents of Pennsylvania or Virginia. Pennsylvania residents must also indicate the township or borough in which they reside. Virginia residents must also be commuting daily to claim "Exempt" status.

Block 9

- *Your signature is required.* Form W4/MW 507 is not valid unless you sign it.

2006 FORM W-4

INSTRUCTIONS - PAGE 1 EMPLOYEE'S FEDERAL WITHHOLDING ALLOWANCE

Form W-4 (2006)

Purpose. Complete Form W-4 so that your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2006 expires February 16, 2007. See Pub. 505, Tax Withholding and Estimated Tax.

Note: You cannot claim exemption from withholding if (a) your income exceeds \$850 and includes more than \$300 of unearned income (e.g., interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. **However, you may claim fewer (or zero) allowances.**

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50 percent of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding? for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using **Form 1040-ES**, Estimated Tax for Individuals. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others.

Nonresident alien. If you are a nonresident alien, see the **Instructions for Form 8233** before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2006. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 to initiate a name change and obtain a social security card showing your correct name.

Personal Allowances Worksheet (Keep for your records.)

A	Enter "1" for yourself if no one else can claim you as a dependent	A	_____				
B	Enter "1" if: <table border="0"><tr><td style="font-size: 3em; vertical-align: middle;">{</td><td><ul style="list-style-type: none">• You are single and have only one job; or• You are married, have only one job, and your spouse does not work; or• Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.</td><td style="font-size: 3em; vertical-align: middle;">}</td><td style="vertical-align: middle;">.</td></tr></table>	{	<ul style="list-style-type: none">• You are single and have only one job; or• You are married, have only one job, and your spouse does not work; or• Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.	}	B	_____
{	<ul style="list-style-type: none">• You are single and have only one job; or• You are married, have only one job, and your spouse does not work; or• Your wages from a second job or your spouse's wages (or the total of both) are \$1,000 or less.	}				
C	Enter "1" for your spouse . But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.)	C	_____				
D	Enter number of dependents (other than your spouse or yourself) you will claim on your tax return	D	_____				
E	Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above)	E	_____				
F	Enter "1" if you have at least \$1,500 of child or dependent care expenses for which you plan to claim a credit	F	_____				
	(Note. Do not include child support payments. See Pub. 503 , Child and Dependent Care Expenses, for details.)						
G	Child Tax Credit (including additional child tax credit): <ul style="list-style-type: none">• If your total income will be less than \$55,000 (\$82,000 if married), enter "2" for each eligible child.• If your total income will be between \$55,000 and \$84,000 (\$82,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have four or more eligible children.	G	_____				
H	Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ▶	H	_____				
	For accuracy, complete all worksheets that apply. <table border="0"><tr><td style="font-size: 3em; vertical-align: middle;">{</td><td><ul style="list-style-type: none">• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.• If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$35,000 (\$25,000 if married) see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.</td><td style="font-size: 3em; vertical-align: middle;">}</td><td style="vertical-align: middle;">.</td></tr></table>	{	<ul style="list-style-type: none">• If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.• If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$35,000 (\$25,000 if married) see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.• If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.	}		
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Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions, claim certain credits, or claim adjustments to income on your 2006 tax return.

- 1 Enter an estimate of your 2006 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2006, you may have to reduce your itemized deductions if your income is over \$150,500 (\$75,250 if married filing separately). See *Worksheet 3* in Pub. 919 for details.) . . . **1** \$ _____
- 2 Enter: $\left\{ \begin{array}{l} \$10,300 \text{ if married filing jointly or qualifying widow(er)} \\ \$ 7,550 \text{ if head of household} \\ \$ 5,150 \text{ if single or married filing separately} \end{array} \right\}$ **2** \$ _____
- 3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter “-0-” **3** \$ _____
- 4 Enter an estimate of your 2006 adjustments to income, including alimony, deductible IRA contributions, and student loan interest **4** \$ _____
- 5 **Add** lines 3 and 4 and enter the total. (Include any amount for credits from *Worksheet 7* in Pub. 919) **5** \$ _____
- 6 Enter an estimate of your 2006 nonwage income (such as dividends or interest) **6** \$ _____
- 7 **Subtract** line 6 from line 5. Enter the result, but not less than “-0-” **7** \$ _____
- 8 **Divide** the amount on line 7 by \$3,300 and enter the result here. Drop any fraction **8** _____
- 9 Enter the number from the **Personal Allowances Worksheet**, line H, page 1 **9** _____
- 10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earner/Two-Job Worksheet**, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 **10** _____

Two-Earner/Two-Job Worksheet (See *Two earners/two jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

- 1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) **1** _____
- 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here **2** _____
- 3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet **3** _____

Note. If line 1 is *less than* line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4–9 below to calculate the additional withholding amount necessary to avoid a year-end tax bill.

- 4 Enter the number from line 2 of this worksheet **4** _____
- 5 Enter the number from line 1 of this worksheet **5** _____
- 6 **Subtract** line 5 from line 4 **6** _____
- 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here **7** \$ _____
- 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed **8** \$ _____
- 9 Divide line 8 by the number of pay periods remaining in 2006. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2005. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck **9** \$ _____

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly						All Others	
If wages from HIGHEST paying job are—	AND, wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	AND, wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above
\$0 - \$42,000	\$0 - \$4,500	0	\$42,001 and over	32,001 - 38,000	6	\$0 - \$6,000	0
	4,501 - 9,000	1		38,001 - 46,000	7	6,001 - 12,000	1
	9,001 - 18,000	2		46,001 - 55,000	8	12,001 - 19,000	2
	18,001 and over	3		55,001 - 60,000	9	19,001 - 26,000	3
				60,001 - 65,000	10	26,001 - 35,000	4
65,001 - 75,000				11	35,001 - 50,000	5	
75,001 - 95,000				12	50,001 - 65,000	6	
\$42,001 and over	0	3		95,001 - 105,000	13	65,001 - 80,000	7
				105,001 - 120,000	14	80,001 - 90,000	8
				120,001 and over	15	90,001 - 120,000	9
						120,001 and over	10

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$60,000	\$500	\$0 - \$30,000	\$500
60,001 - 115,000	830	30,001 - 75,000	830
115,001 - 165,000	920	75,001 - 145,000	920
165,001 - 290,000	1,090	145,001 - 330,000	1,090
290,001 and over	1,160	330,001 and over	1,160

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, and the District of Columbia for use in administering their tax laws, and using it in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

You are not required to provide the information requested on a form that is subject to

2006

INSTRUCTIONS



Revenue Administration Division

EMPLOYEE'S STATE OF MARYLAND WITHHOLDING ALLOWANCE

Line 5 of Employee Withholding Allowance Certificate

A. Number of personal exemptions (total exemptions on lines A, C, and D of the federal W-4 or W-4A worksheet) _____

B. Number of additional exemptions for dependents over 65 years of age. _____

C. Number of additional exemptions for estimated itemized deductions, alimony payments, allowable child care expenses, qualified retirement contributions, business losses, and employee business expenses for the year. _____

D. Number of additional exemptions for taxpayer and/or spouse at least 65 years of age and/or blind. _____

E. Total - Add lines A through D and enter here and on line 5 of Employee Withholding Allowance Certificate. _____

Exemptions for dependents - To qualify as your dependent, you must be entitled to an exemption for the dependent on your federal income tax return for the corresponding taxable year.

Additional exemptions for dependents over 65 years of age - An additional exemption is allowed for dependents who are 65 years of age or older.

Additional exemptions - You may claim additional exemptions for estimated itemized deductions, alimony payments, allowable child care expenses, qualified retirement contributions, business losses, and employee business expenses for the year. One additional withholding exemption is permitted for each \$2,400 of estimated itemized deductions or adjustments to income that exceeds the standard deduction allowance.

NOTE: Standard deduction allowance is 15 percent of Maryland adjusted gross income with a minimum of \$1,500 and a maximum of \$2,000 for each taxpayer.

Additional exemptions for taxpayer and/or spouse - An additional \$1,000 may be claimed if the taxpayer and/or spouse is at least 65 years of age and/or blind on the last day of the taxable year.

Line 6 additional withholding per pay period under agreement with employer - If you are not having enough tax withheld, you may ask your employer to withhold more by entering an additional amount on line 2.

Line 7 exemptions from income tax withholding - Students and others may be entitled to claim an exemption from Maryland income tax withholding if: (a) last year you did not owe any Maryland tax and had a right to a full refund of any tax withheld; and (b) this year you do not expect to owe any Maryland income tax and expect to have a right to a full refund of all income tax withheld. To be exempt from Maryland withholding, enter the year and write "exempt" on the line in the Maryland column.

Students, seasonal employees and individuals who expect to have less than \$8,200.00 in income in 2006 may claim exemption from Maryland income tax withholding.

Line 8 certification of non-residence in the state of Maryland - This line is to be completed only by residents of Pennsylvania or Virginia who are employed in Maryland and who do not maintain a place of abode in Maryland for less than 183 days.

Line 8 is not to be used by residents of other states who are working in Maryland, because such persons are liable for Maryland income tax and withholding from their wages is required.

If you are domiciled in the District of Columbia, Pennsylvania, or Virginia (Virginia residents see note below) and maintain a place of abode in Maryland for 183 days or more, you become a statutory resident of Maryland and you are required to file a resident return with Maryland reporting your total income. You must apply to your domicile state for any tax credit to which you may be entitled under the reciprocal provisions of the law.

If you are domiciled in West Virginia, you are not required to pay Maryland income tax on wage or salary income, regardless of the length of time you may have spent in Maryland.

Note: If you are domiciled in Virginia, you must commute daily to Maryland to be exempt from withholding. If you reside in Maryland for at least one day but less than 183 days, you will be subject to Maryland tax on your income from Maryland sources as a nonresident of Maryland.

If the status of the employee domiciled in one of the above states changes from nonresident to resident during the year, the employee will be subject to Maryland income tax from the date residence was established, and the employer must withhold Maryland income tax. The employee should notify the employer when such change of residence takes place.

Federal Privacy Act Information - Social Security numbers must be included. The mandatory disclosure of your Social Security number is authorized by the provisions set forth in the Tax General Article of the Annotated Code of Maryland. Such numbers are used primarily to administer and enforce the individual income tax laws and to exchange income tax information with the U.S. Internal Revenue Service, other states and other tax officials of this state. Information furnished to other agencies or persons shall be used solely for the purpose of administering tax laws or the specific laws administered by the person having statutory right to obtain it.

Duties and responsibility of employer - Retain this certificate with your records. You are required to submit a copy of this certificate to the Compliance Division, Compliance Programs Section, 301 West Preston Street, Baltimore, MD 21201, when received if:

- 1) you have any reason to believe this certificate is incorrect,
- 2) the employee claims more than 10 exemptions,
- 3) the employee claims exemption from withholding because he/she had no tax liability for the preceding tax year, and expects to incur no liability this year, but the employee's wages are expected to exceed \$200 a week, or
- 4) the employee claims exemption from withholding on the basis of nonresidence.

Upon receipt of any exemption certificate (Form MW 507), the Compliance Division will make a determination and notify you if a change is required.

Once a certificate is revoked by the comptroller, the employer must send any new certificate from the employee to the comptroller for approval before implementing the new certificate. If an employee claims exemption under 3 above, a new exemption certificate must be filed by February 15th of the following year.

Duties and responsibility of employee - If, on any day during the calendar year, the number of withholding exemptions to which the employee is entitled to claim is less than the number of exemptions claimed on the withholding exemption certificate in effect, the employee shall file a new withholding exemption certificate with the employer within 10 days after the change occurs.