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**TO:** All State Agencies and Employees

**FROM:** Dhiren V. Shah, Director  
Central Payroll Bureau

**DATE:** January 19, 2023

**SUBJECT:** **Annual Filing of Employee Withholding Exemption Certificate**

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Employees who currently claim exemption from Federal and/or State income tax withholding should be made aware that this exemption from withholding requires an annual filing of the Form W-4/MW-507. Those employees who currently claim exemption from withholding will find the exemptions block of their Employees Earnings Statement (pay-stub) filled with an “EX” for the appropriate withholding tax.

Under current Federal tax law, the claim of exemption from Federal withholding is very limited. If an employee expects to be claimed as a dependent on another person’s tax return (for example, on a parent’s tax return), the employee may not be exempt. Current “exempted” employees should review their claim of exemptions and:

- If the employee expects to have Federal and/or State income tax liability for calendar 2023, submit a new W-4/MW-507 as soon as possible. Remember to sign and date the form before submitting to Central Payroll Bureau. **Please note** that this filing pertains only to those employees who are changing from exempt to taxable.
- If the employee wants to continue claiming exemption from Federal and/or State withholding tax for calendar 2023, they need to file a new form W-4/MW-507 on or before February 15, 2023. The form W-4/MW-507 will be processed as quickly as possible but not retroactively.  
**Note:** There is no annual MW507 filing requirements for PA residents that already have a valid MW507 (“EXEMPT” on lines 5,6, and/or 7) on file from a previous year.

**IRS regulation requires employers to institute maximum tax withholding for those employees who are currently claiming exempt status but do not re-file with their employer by February 15, 2023.**

The “Military Spouse Residency Relief Act” provides exemption for some military spouses and should be reviewed by those who are residing in Maryland in compliance with military orders. The **MW507M** form for withholding should be submitted in addition to the **MW507** form to comply with the requirements of this “Act.”

Form W-4/MW-507 and MW507M are available from our website:

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

Click on **Forms**

“Net Pay Calculator” is also available from our website:

<https://www.marylandtaxes.gov/statepayroll/online-services.php>

Click on **Net Pay Calculator**

Copies of this memorandum should be made available to all employees and directed specifically to those who are currently claiming exemption.