

STATE CONTROLLER'S OFFICE
PERSONNEL AND PAYROLL SERVICES DIVISION
P.O. BOX 942850
SACRAMENTO, CA 94250-5878

DATE: March 3, 2010

PERSONNEL LETTER #10-005

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Lisa Crowe, Chief
Personnel and Payroll Services Division (PPSD)

RE: REVISED INTERNAL REVENUE SERVICE "IRS LOCK" PROCEDURES

As indicated in Personnel Letter #09-025, the California Code of Regulations Title 22 Section 4340-1 requires the Internal Revenue Service (IRS) lock-in determination letter to be applied to the California state tax withholding status of an employee. A lock-in letter results when the IRS determines that the amount of income tax withheld from the employee's pay will not adequately cover the employee's tax liability as required by the IRS Code Section 3402.

To ensure compliance with the IRS regulations, the State Controller's Office (SCO) has modified the employment history (EH) on-line system to prevent departments/campuses from updating the tax withholding status of employees with an IRS lock. If an attempt is made to key a federal or state tax withholding change for an employee with an IRS lock, the error message, "IRS LOCK IN EFFECT – SUBMIT DOCUMENT TO PPSD FOR PROCESSING" will be generated. Please review the Employee Action Request (EAR) and validate the changes to the withholding allowances (Section E) will result in a higher withholding amount than the lock tax status. If it does result in a higher withholding amount, please submit the EAR along with a print-out of the audit message to SCO for processing. If the tax withholding amount is less than the lock status then return the EAR to the employee and tell them they must receive authorization from the IRS in order to make the requested change.

For more information regarding the IRS lock-in determination letter procedures, please refer to Personnel Letters #05-003 and #09-025. Questions regarding the lock update process can be directed to Donna Collins at (916) 322-8141 or djcollin@sco.ca.gov.

LC:JG:PMAB