CLAIMING EXEMPT FROM TAXES ON YOUR FEDERAL OR STATE EMPLOYEE WITHHOLDING ALLOWANCE CERTIFICATE

East Carolina University employees wishing to claim EXEMPT from Federal and/or NC State tax must submit an original W-4 and/or NC-4 to the Payroll Office. Banner Self Service does not allow an employee to claim EXEMPT status.

Employees who claim EXEMPT must complete a new W-4 and NC-4 annually.

Federal Tax – Exempt Status:
By claiming exempt from Federal taxes, you are certifying that you are exempt from Federal withholding tax because you meet the following conditions:

- Last year I had a right to a refund of all federal income tax withheld because I had no tax liability; and
- This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.

Penalties: You may have to pay a penalty of $500 if both of the following apply.

- You make statements or claim withholding allowances on your Form W-4 that reduce the amount of tax withheld.
- You have no reasonable basis for those statements or allowances at the time you prepare your Form W-4.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount withheld. The penalty upon conviction can be either a fine of up to $1,000 or imprisonment for up to 1 year, or both.

These penalties will apply if you deliberately and knowingly falsify your Form W-4 in an attempt to reduce or eliminate the proper withholding of taxes. A simple error or an honest mistake will not result in one of these penalties. For example, a person who has tried to figure the number of withholding allowances correctly, but claims seven when the proper number is six, will not be charged a Form W-4 penalty. However, see chapter 4 for information on the penalty for underpaying your tax. Additional information available at: http://www.irs.gov/publications/p505/

NC-State Tax – Exempt Status:
By claiming exempt from State taxes, you are certifying that you are exempt from State withholding tax because you met the following conditions:

- Last year I was entitled to a refund of all State income tax withheld because I had no tax liability; and
- This year I expect a refund of all State income tax withheld because I expect to have no tax liability.
- Or, I certify that I am exempt from North Carolina withholding because I meet the requirements of the Military Spouse Residency Relief Act and I am legally domiciled in a state other than NC.
  - If claiming exempt under the Military Spouse Residency Relief Act, employee must attach a copy of their spousal military identification card and a copy of the service member’s most recent leave and earnings statement.

NC State tax law requires employers (ECU) to submit copies of any certificate on which the employee claims more than 10 withholding allowances or claims exemption from withholding and the employee’s wages would normally exceed $200 per week.

Penalties: If an employee provides a withholding allowance certificate that contains information which has no reasonable basis and results in a lesser amount of tax being withheld than would have been withheld had the employee furnished reasonable information, the employee is subject to a tax penalty of 50 percent of the amount not properly withheld.


Last Update: December 12, 2018