



When an employee's Form W-4 raises red flags

Your employees use Form W-4, "Employee's Withholding Certificate," to tell you how much federal income tax to withhold from their pay. Most forms are routine, but an altered certificate, unusual accompanying statement or IRS lock-in letter may require special handling. Knowing how to respond can help your business meet its withholding obligations without becoming involved in an employee's personal tax dispute.

Recognizing an invalid form

An employee is responsible for the information provided on Form W-4 and signs the form under penalties of perjury. Businesses generally aren't required to verify whether the employee's filing status, credits, deductions or other adjustments are accurate.

However, a Form W-4 may be invalid if the employee:

- Alters the official form,
- Deletes or crosses out the penalties-of-perjury declaration, or
- Indicates that information on the form is false.

You must also reject any substitute form created by an employee. An electronic or substitute form developed by your business may be acceptable if it meets IRS requirements.

If an employee submits an invalid Form W-4, you should explain that you can't accept it and should request a valid replacement. You can generally continue using any valid Form W-4 already in effect until you receive the replacement. If you don't have a valid form already on file, withhold as if the employee selected "single or married filing separately" and made no entries in Steps 2, 3 or 4.

Similarly, a claim of exemption from withholding isn't automatically invalid. Beginning with the 2026 Form W-4, employees claiming exemption from withholding use the exemption checkbox on the form. For 2026, an employee generally may claim exemption only if the employee had no federal income tax liability in 2025 and expects to have none in 2026. The employee — not the employer — is responsible for determining whether those requirements are met.

Responding to IRS instructions

Businesses aren't required to routinely send Forms W-4 to the IRS. You generally must submit these forms only when directed to do so in a written IRS notice or in specific published guidance.

The IRS uses information reported on Forms W-2 and other records to identify employees who may have inadequate withholding. If the IRS determines that an employee's withholding needs to be increased, it may send you a "lock-in letter" specifying the filing status and adjustments that must be used. Before these instructions take effect, the employee receives a separate notice and an opportunity to dispute the determination with the IRS.

Once the lock-in instructions take effect, you generally must disregard a Form W-4 that would reduce withholding below the IRS-mandated amount. However, you must honor a new form that results in more withholding. If your business accepts Forms W-4 electronically, its system must prevent an employee subject to a lock-in letter from reducing withholding below the locked-in amount.

An employee who disagrees with a lock-in determination must work directly with the IRS. The employee may submit a new Form W-4 and supporting information to the address provided in the IRS notice. Don't reduce withholding unless the IRS authorizes the change. Businesses that fail to follow lock-in instructions may be liable for the additional tax that should have been withheld.

Establishing consistent procedures

Your payroll procedures should explain how Forms W-4 are submitted, reviewed and retained. Train payroll personnel to recognize altered or unauthorized forms, but don't

ask them to evaluate whether an employee has calculated the proper amount of withholding. That determination generally belongs to the employee and, when necessary, the IRS.

For questions about completing Form W-4, direct employees to the IRS Tax Withholding Estimator or suggest consulting their personal tax advisors. Avoid giving individualized tax advice unless your business is qualified and authorized to provide it.

Know when to seek assistance

Unusual Forms W-4 and IRS lock-in letters can create compliance risks if they aren't handled correctly. We can guide you through the withholding rules to help reduce the risk of costly errors. Contact us for assistance evaluating your payroll procedures, responding to an invalid form or complying with an IRS lock-in letter.

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