

Withholding Tax Information



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Starting on January 1, 2020, changes to federal tax laws mean that federal Form W-4 may not provide the correct withholding for Oregon taxes. Department of Revenue (DOR) has created **Form OR-W-4** to help determine correct allowances for Oregon. For more information in this section, see DOR on page 2.

What wages are subject to Oregon withholding?

- Salaries, commissions, bonuses, wages, tips, fees, prizes, separation allowances, guaranteed wages payments, and vacation and holiday pay.
- Payments by a corporation to a corporate officer for services.
- Remuneration paid in an employer-employee relationship with spouses, domestic partners, or a parent and child.

A list of exempt wages can be found in the *Oregon Employer's Guide*.

What form do my employees use to claim allowances for Oregon?

Form OR-W-4 if they are claiming or changing their withholding after January 1, 2020 or they revise their federal Form W-4 after January 1, 2019.

If they've filed an "Oregon-only" federal Form W-4 or Form OR-W-4 before January 1, 2019, they don't need to change their allowances for Oregon.

Who needs to file Form OR-W-4?

Employees who:

- Were hired on or after January 1, 2020.
- Have had a financial situation change.
- Want to change their withholding amounts.
- Want to claim exemption from their Oregon withholding.
- Have relocated from another state.

Can an employee have different withholding amounts for state than for federal?

Yes, Form OR-W-4 is for **Oregon** withholding only. Federal Form W-4 is for **federal** withholding.

How do I calculate withholding tax?

To calculate the amount of tax to withhold from an employee's wages:

- Use the *Oregon Withholding Tax Tables* if:
 - The employee's wages are less than \$50,000 annually,
 - The employee's federal withholding is determined using a 2019 or earlier federal Form W-4, and
 - The employee is claiming the same marital status and number of allowances for both federal and state withholding.
- Use the *Oregon Withholding Tax Formulas* in all other situations, including computer payroll systems.

If any of the following apply, withhold at 8 percent, instead of using Form OR-W-4 or federal Form W-4:

- Your employee claims exempt status for Oregon only,
- DOR or IRS tells you not to permit allowances,
- The employee claims an exempt status and the employer determines the employee does not meet the exemption requirements provided in OAR 150-316-0237, or
- The employee's exemption status expired, and they didn't submit a new Form OR-W-4.

You must withhold tax from employee wages (including draws) at the time employees are paid. Taxes are withheld and reported in the quarter the employee is paid.

When can an employee claim exempt?

An employee can claim exempt from Oregon withholding if:

- Their compensation is exempt under a provision of federal or state law.
- They had a refund of all state income tax withheld from the previous tax year and expect to have a refund of all state income tax withheld for the current year.

An employee must provide a new Form OR-W-4 to claim an exemption for each year. Exemptions expire on February 15 for the prior year. Exemptions on IRA's, annuities, and compensation plans don't expire until revoked.

What authority does DOR have to request employee's personal information?

DOR is authorized to request information to administer Oregon tax laws (ORS 314.425). Oregon law requires

withholding of tax from the employees' wages by their employer (ORS 316.167).

What if I receive a Determination letter for an employee?

A determination letter requires you to withhold based on the department's assessment that the employee's withholding is materially deficient. You will need to change the employee's withholding accordingly. The employee will also receive a copy of the letter.

The determination stays in effect until you receive a new determination letter or the employee files a new Form OR-W-4 increasing their withholding. If the employee wants to lower their withholding, they need to follow the instructions included with the Form OR-W-4 for a re-determination of withholding by the department.

Do I withhold differently for employees who are nonresident aliens?

Generally, no. However, if the IRS grants the employee an exemption, DOR will honor the exemption. To receive an exemption, the employee must file federal Form 8233 with you. If any portion of the employee's wages **are not exempt**, use the employee's Form OR-W-4 elections to withhold on those non-exempt wages. Advise employees to follow the instructions on Form OR-W-4.

Do I withhold differently on IRA's, annuities, and compensation plans?

If you pay for commercial annuities, employer-deferred compensation plans, or retirement plans you must withhold tax, unless the employee or payee chooses to have no withholding.

The employee or payee must provide a filed federal Form W-4P (if filed prior to 2019), or Form OR-W-4 for you to determine the withholding amount, even if they choose no withholding. Withhold as if the payments were wages. You must withhold \$10 or more per employee or payee.

Oregon withholding isn't required for a rollover from one qualifying plan to another. Oregon doesn't follow the federal backup withholding rules for pension and annuities distributions.

You are required to use a different BIN than your payroll account BIN because these are not payroll wages. You will need to issue 1099s to employees and payees at the end of the year and file 1099s electronically through iWire.

Do you have questions or need help?

www.oregon.gov/dor
503-378-4988 or 800-356-4222
questions.dor@dor.oregon.gov

Contact us for ADA accommodations or assistance in other languages.