



# Management Directive

## Commonwealth of Pennsylvania

### Governor's Office

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## Management Directive 525.17 Amended – Processing Notices and Releases of Internal Revenue Service Levies

Date: April 21, 2025

By Direction of:

A handwritten signature in black ink, appearing to read 'Uri Z. Monson'.

Uri Z. Monson, Secretary of the Budget

Contact Agency:

Office of the Budget  
Office of Comptroller Operations  
Bureau of Commonwealth Payroll Operations and  
Bureau of Payable Services  
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### 1. PURPOSE.

To establish policy, responsibilities, and procedures for processing notices and releases of Internal Revenue Service (IRS) Levies.

### 2. SCOPE.

This directive applies to all departments, offices, boards, commissions, and councils under the Governor's jurisdiction and independent entities served by the Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations (BCPO) and the Bureau of Payable Services (BPS) (hereinafter referred to as "agencies").

### 3. OBJECTIVE.

To ensure the timely processing and release of IRS Levies.

### 4. DEFINITIONS.

**a. Levy.** A legal seizure of real or personal property to satisfy a tax debt.

- b. Notice of Levy (IRS Form 668-A).** A notice from the IRS instructing the Commonwealth to withhold or offset payment(s) made to a contractor, employee, or vendor for unpaid taxes. "IRS Form 668-A" collectively refers to forms 668-A(c), 668-A(c)(DO), and 668-A(ICS).
- c. Notice of Levy on Wages, Salary, and Other Income (IRS Form 668-W).** A notice from the IRS instructing the Commonwealth to withhold and remit to the IRS the wages, salary, and other income of the named taxpayer until the IRS releases the Levy. "IRS Form 668-W" collectively refers to forms 668-W(c) and 668-W(c)(DO), and usually includes the following:

  - (1)** Levy 668x Coversheet for mailing to the IRS in a window envelope; and
  - (2)** IRS Publication 1494, Table for Figuring Amount(s) Exempt from Levy on Wages, Salary, and Other Income.
- d. Payroll Deduction Agreement (IRS Form 2159).** An arrangement among the IRS, a taxpayer, and the taxpayer's employer in which the IRS allows the taxpayer to have an amount deducted from wages or salary each pay period and remitted to the IRS for taxes owed.
- e. Personal Exemption.** A minimum amount of a taxpayer's wages, salary, and other income (as determined using IRS Publication 1494, Table for Figuring Amount(s) Exempt from Levy on Wages, Salary, and Other Income) that is exempt from Levy in accordance with *Section 6334* of the *Internal Revenue Code, 26 U.S.C. § 6334*.
- f. Release of Levy/Release of Property from Levy (IRS Form 668-D).** A notice from the IRS authorizing the Commonwealth to release, in full or in part, an IRS Levy. IRS Form 668-D may be received in conjunction with IRS Form 2159.

## **5. POLICY.**

- a.** The Commonwealth shall process IRS Levies, in accordance with the *Internal Revenue Code, 26 U.S.C. §§ 6330-6334*, and IRS instructions, against any taxpayer owing a tax debt to the IRS. The Commonwealth is not responsible for determining the correctness of an IRS Levy.
- b.** The Personal Exemption shall apply to an employee receiving an IRS Form 668-W; the employee must complete and return the applicable parts of IRS Form 668-W, in accordance with IRS instructions, in order to claim additional exemptions.
- c.** The effect of an IRS Levy on an employee's wages or salary shall be continuous from the date the Levy is first made until Form 668-D is received by the Commonwealth.

- d. Unless otherwise indicated by the IRS, a Levy on payments to a contractor or vendor shall be applied only to the existing obligations and payments due and in process at the time the Levy is made.
- e. The amount of an employee's wages, salary, or other income necessary to comply with a court judgment, entered prior to the date of a Levy, to contribute to the support of the employee's minor children is exempt from Levy under *Section 6334(a)(8) of the Internal Revenue Code, 26 U.S.C. § 6334(a)(8)*. The employee may not claim these minor children as exemptions on IRS Form 668-W.

## **6. RESPONSIBILITIES.**

### **a. Agency.**

- (1) Send to BCPO any IRS Form 668-W received by the agency.
- (2) Send to BPS any IRS Form 668-A received by the agency.
- (3) Direct employee or vendor/contractor concerns regarding the amounts withheld for an IRS Levy to BCPO or BPS, respectively; direct all other questions regarding the Levy to the IRS.

### **b. Office of the Budget, Office of Comptroller Operations.**

#### **(1) BCPO.**

- (a) Establish withholding in the SAP enterprise resource planning system (hereinafter referred to as "SAP") for IRS Levies on employee wages, salary, and other income.
- (b) Remit levied amounts to the IRS in accordance with IRS instructions.
- (c) Upon receipt of IRS Form 668-D, delete or end-date the deductions established in the SAP system for an IRS Levy.
- (d) Answer questions from employees and HR personnel regarding the amounts withheld for IRS Levies on employee wages, salary, and other income. **NOTE:** Questions pertaining to the correctness of a Levy must be directed to the IRS; BCPO cannot answer questions regarding the correctness of a Levy.
- (e) Retain documentation regarding each IRS Levy on employee wages, salary, and other income for three years from the date of receipt of a corresponding IRS Form 668-D.

**(2) BPS.**

- (a)** Search SAP vendor master records to determine if taxpayers subject to IRS Levies are registered Commonwealth contractors/vendors.
- (b)** Process IRS notices of Levy in accordance with applicable IRS instructions.
- (c)** Remit levied amounts and supporting documentation to the IRS in accordance with applicable IRS instructions.
- (d)** Notify contractors/vendors of levied amounts remitted to the IRS.
- (e)** Process releases of continuous Levies in accordance with IRS instructions.
- (f)** Answer questions from contractors/vendors regarding the amounts withheld for IRS Levies. **NOTE:** Questions pertaining to the correctness of a Levy must be directed to the IRS; BPS cannot answer questions regarding the correctness of a Levy.

**c. Employee Named in an IRS Levy.**

- (1)** Complete and return the applicable parts of IRS Form 668-W in accordance with IRS instructions.
- (2)** Contact the IRS as needed regarding the correctness of the IRS Levy or IRS Form 2159. Contact BCPO with questions regarding the amount(s) withheld from the employee's pay.

**7. PROCEDURES.**

- a.** Processing a Notice of Levy on Wages, Salary, and Other Income (IRS Form 668-W).
  - (1) BCPO Garnishment Unit.** Receive IRS Form 668-W and determine if the named taxpayer is an active employee or separated employee.
    - (a) For Active Employee.** Send to the employee the applicable parts of IRS Form 668-W (consult the IRS instructions that accompany the form to determine which parts must be sent to the employee) and inform the employee of the date by which any part(s) must be completed and returned to BCPO for payroll processing.

**(b) For Separated Employee.** Consult the instructions that accompany IRS Form 668-W to determine the correct procedure to return the form to the IRS. No further action is required. **NOTE:** If the named taxpayer is neither an active nor separated employee, send the IRS Form 668-W to the BPS Exceptions Processing Unit for processing in accordance with Section 7.d. of this directive.

**(2) Employee.** Complete and return to BCPO the applicable parts of IRS Form 668-W, by the date specified by BCPO, to indicate a filing status and to claim exemptions. Retain any parts of IRS Form 668-W that indicate "for taxpayer" or "for taxpayer to keep."

**(3) BCPO Garnishment Unit.**

**(a)** Enter the Levy in the SAP system using information provided by the employee on IRS Form 668-W. If Form 668-W is not returned by the date specified, the default status described in the form instructions will be used.

**(b)** Answer any questions from the employee or human resources regarding the establishment of the Levy in the SAP system.

**(c)** Consult the instructions that accompany IRS Form 668-W to determine the correct procedure to return the form to the IRS.

**(4) BCPO Deduction Accounting Unit.** Upon receipt of a check for levied wages, salary, or other income, send the check to the IRS service center location designated on the IRS Form 668-W.

**b.** Processing a Payroll Deduction Agreement (IRS Form 2159).

**(1) BCPO Garnishment Unit.** Receive IRS Form 2159 and determine if the named taxpayer is an active employee or separated employee.

**(a) For Active Employee.**

**1** Ensure IRS Form 2159 contains all required information, including balance owed, deduction amount and start date, and employee signature.

**2** Complete parts 1, 2, and 3 of IRS Form 2159.

**3** Return part 1 to the IRS and part 3 to the employee. Retain part 2 for BCPO records.

**4** Enter the IRS Form 2159 into the SAP system.

**5** Answer any questions from the employee or HR personnel regarding the establishment of IRS Form 2159 in the SAP system.

**(b) For Separated Employee.**

- 1** Complete part 1 of IRS Form 2159.
- 2** Draft a letter stating the Commonwealth no longer employs the taxpayer and that the Commonwealth is unable to process a Levy or establish a payroll deduction in accordance with the IRS Form 2159.
- 3** Mail part 1 of IRS Form 2159 and the letter to the IRS. No further action is required.

**(2) BCPO Deduction Accounting Unit.** Upon receipt of a check for levied wages, salary, or other income, send the check to the IRS mailing address printed on IRS Form 2159.

- c.** Processing a Release of Levy/Release of Property from Levy (IRS Form 668-D). The IRS may send an IRS Form 668-D at any time during the Levy process, including prior to the first instance of levied wages, salary, and other income. Upon receipt of IRS Form 668-D, the BCPO Garnishment Unit shall cease any deductions established in accordance with Section 7.a.(3)(a) of this directive and file a copy of IRS Form 668-D with the original Notice of Levy.
- d.** Processing a Continuous IRS Levy on Obligations and Payments to a Contractor or Vendor.

**(1) BPS Exceptions Processing Unit.** Receive IRS Form 668-W and search the SAP vendor master file to determine if the named taxpayer is a contractor or vendor registered with the Commonwealth.

**(a)** Determine the appropriate action for invoices and payments that must be rejected, reversed, or cancelled to satisfy the Levy. **NOTE:** Continuous Levies apply to invoices in workflow, invoices that have cleared to the PA Treasury Department but have not been paid, and future invoices, until the Commonwealth receives an IRS Form 668-D from the IRS.

**(b)** If the taxpayer identification number on the IRS Form 668-W does not match any records in the SAP vendor master file, consult the instructions that accompany IRS Form 668-W to determine the correct procedure to return the form to the IRS.

- e.** Processing the Release of a Continuous IRS Levy on Obligations and Payments to a Contractor or Vendor.

**(1) BPS Exceptions Processing Unit.**

**(a)** Receive IRS Form 668-D and search the SAP system for any invoices or levied payments in process.

- 1 If there are no invoices or levied payments in process, refer to Section 7.e.(1)(b) of this directive.
    - 2 Determine the appropriate action for invoices and payments that must be rejected, reversed, or cancelled to discontinue the Levy.
  - (b)** Send a request to the BPS Payable Services Center, Vendor Data Management Unit to block the partner record and remove any notation from the SAP vendor master record; include a copy of the IRS Form 668-D with the request.
- f.** Processing a One-Time IRS Levy on Obligations and Payments to a Contractor or Vendor.

**(1) BPS Exceptions Processing Unit.**

- (a)** Receive IRS Form 668-A and search the SAP vendor master file to determine if the named taxpayer is a contractor or vendor registered with the Commonwealth.
  - 1 Determine the appropriate action for invoices and payments that must be rejected, reversed or cancelled to satisfy the Levy. **NOTE:** One-time Levies apply only to invoices in workflow and invoices that have cleared to the PA Treasury Department but have not been paid, up to the total amount due on IRS Form 668-A.
- (b)** If the taxpayer identification number on the IRS Form 668-A does not match any records in the SAP vendor master file, consult the instructions that accompany IRS Form 668-A to determine the correct procedure to return the form to the IRS.

**This amendment provides minor formatting updates.**

**This directive replaces, in its entirety, *Management Directive 525.17 Amended*, dated July 6, 2020.**