



NATIONAL ASSOCIATION OF POSTAL SUPERVISORS

National Headquarters
1727 KING STREET, SUITE 400
ALEXANDRIA, VA 22314-2753
(703) 836-9660

January 29, 2026

Board Memo 006-2026: Annual Leave Exchange Payroll Processing System Error

Executive Board,

NAPS HQ has been notified by the USPS HQ of a payroll system error that occurred Friday, January 23, 2026. Employees who elected the Annual Leave Exchange (ALE) and were processed on Friday night into the system, federal income taxes were not withheld from the affected employee's ALE account.

EAS employees whose ALE was processed on Saturday or Sunday were not affected.

Attached is a sample letter that will be sent to those affected employees.

Please share this information with your membership.

Thank you, and be safe.

NAPS Headquarters

Annual Leave Exchange Federal Tax Issue – PP 03-2026

Language to Employee Mailing Address:

Issue with Your Annual Leave Exchange Federal Tax Withholding

This letter is to inform you that a Payroll processing system error resulted in no federal income tax withholding from your Annual Leave Exchange (ALE) payment included in the paycheck dated 01/30/2026. Federal income tax for tax year 2026 should have been withheld at the flat supplemental rate of 22%. No federal income tax (0%) was withheld from your Annual Leave Exchange payment. All other relevant 2026 taxes, such as state or local withholding, for your Annual Leave Exchange payment were withheld correctly. No other parts of your 01/30/2026 paycheck were impacted by this federal income tax withholding issue.

This does not impact your 2025 taxes or your 2025 W2.

Based on your Annual Leave Exchange lump sum amount, the following is the associated supplemental federal income tax that should have been withheld.

- ALE elected hours: 999
- ALE lump sum amount: \$99,999.99
- **Supplemental federal income tax (22%) not withheld: \$9,999.99**

Although this amount was not deducted from your paycheck, you are still responsible for paying federal taxes for your ALE lump sum amount. There will be no automatic make-up deductions to withhold this supplemental federal income tax amount. If you would like the Postal Service to withhold some or all of this amount for you, you may make a change to your federal W4 election to have extra withholding taken from your future paycheck(s). The federal W4 module is located in PostalEASE, which can be accessed from MyHR (www.myhr.usps.gov) or LiteBlue (www.liteblue.usps.gov). Any extra withholding amount elected in PostalEASE will remain in effect until you change it or reduce it to zero to stop the extra withholding.

Federal W-4 Information

	Current	Change To
Do you claim exemption from paying federal taxes? <i>(If Yes, you do not need to update the rest of this form.)</i>		<input type="text"/>
Marital Status:		<input type="text"/>
Multiple Jobs: i) I have multiple jobs, or ii) I am married filing jointly and both me and my spouse work:		<input type="text"/>
Number of qualifying children under age 17:		<input type="text"/>
Number of other dependents:		<input type="text"/>
Total dependent deductions: \$		<input type="text"/>
Other income (not from jobs): \$		<input type="text"/> (optional)
Deductions: \$		<input type="text"/> (optional)
Extra withholding (per pay period): \$		<input type="text"/> (optional)

If you have questions, please contact the Accounting Help Desk at 866-974-2733.

Annual Leave Exchange Federal Tax Issue – PP 03-2026

Headquarters Payroll