

Introduction

- The IRS redesigned the W-4 for 2020. The most significant change is that there are no withholding allowances. In the past, employees filled in marital status and number of exemptions (allowances). Beginning in 2020, employees will no longer be asked for allowances.
- Existing employees are **not** required to complete a 2020 W-4. They can leave their 2019 (or prior year) W-4 in effect until requirements change.
- Existing employees wishing to change their filing status/tax withholding after 1/1/2020 must use the 2020 Federal W-4
- All employees hired after 1/1/2020 must use the 2020 W-4
- Rhode Island and Massachusetts have their own W-4's and do not follow the new Federal 2020 W-4 rules

Please note: Payroll professionals and employers can inform employees but legally cannot advise employees on what to fill out on their W-4's. If employees require advice, they should consult a tax professional.

The New W-4 Overview

- Steps 1 and 5 are required (name, address, filing status and signature)
 - If the employee only fills out Steps 1 and 5, they are considered a Single filer by default (in prior years they were considered Single, 0)
- Steps 2, 3 and 4 are optional and are completed by the employee if applicable

W-4 Quick Guide

- Step 1c: There are now three filing choices:
 - Single or Married filing separately
 - Married filing jointly
 - Head of Household
- Step 2: If an employee has multiple jobs or a spouse that works, they are directed to do one of the following:
 - Use the Online Withholding Estimator <https://apps.irs.gov/app/tax-withholding-estimator-2019>; **or**
 - Fill out the Multiple Jobs Worksheet (page 3 of the new W-4); **or**
 - Check the box within Step 2 of the W-4
 - If the box is checked in Step 2, the IRS suggests that **both** spouses should check the box but only **one** spouse should complete lines 3 through 4b
- Step 3
 - This is an annual amount
 - Is optional and used if the employee wants to adjust the withholding amount that the system calculates

- The employee enters the amount of tax credits that they expect to claim, and this amount **reduces** the amount of tax withheld
- Step 4a
 - This is an annual amount
 - Is optional and used if the employee expects additional income to be taxed
 - The employee enters the amount of estimated income that does not come from a job, and this amount **increases** the total amount of taxable wages
- Step 4b
 - This is an annual amount
 - Is optional and used to report any deductions **over** the standard deduction amount
 - The employee enters the amount of the deductions that they expect to claim other than the standard deduction, and this amount **reduces** the total amount of taxable wages
- Step 4c
 - This is a **per payroll** amount
 - Is optional and used for any additional tax the employee wants withheld
 - The employee enters any additional tax amount to be withheld each pay period, and this amount **increases** the total tax withheld
- If an employee claims exemption from withholding
 - There is no dedicated line on the W-4 but an employee can claim exempt if they meet the following qualifications:
 - Owed no federal tax in 2019; and
 - Expect to owe no federal income tax in 2020
 - To claim exemption, the employee should certify that they meet both qualifications by writing "Exempt" on the W-4 in the space below Step 4c
 - Employees that claim exemption will need to submit a new W-4 annually by February 15 each year

Resources

- Form W-4 - <https://www.irs.gov/pub/irs-pdf/fw4.pdf>
- Employee Withholding Estimator - <https://apps.irs.gov/app/tax-withholding-estimator-2019>
- IRS Frequently Asked Questions - <https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>
- IRS Circular E Employer's Tax Guide - <https://www.irs.gov/pub/irs-pdf/p15.pdf>
- IRS Publication 15-T Federal Income Tax Withholding Methods - <https://www.irs.gov/pub/irs-dft/p15t--dft.pdf>
- American Payroll Association (APA) Hot Topic - <https://www.americanpayroll.org/compliance/compliance-overview/hot-topics/2020-form-w-4>

2020 W-4 Employer Guide

Form W-4 Department of the Treasury Internal Revenue Service	<h2>Employee's Withholding Certificate</h2> <p>▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.</p>	OMB No. 1545-0074 <h1 style="font-size: 2em;">2020</h1>
Step 1:	(a) First name and middle initial _____ Last name _____ Address _____ City or town, state, and ZIP code _____ (c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)	(b) Social security number _____ ▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
<p>Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.</p>		
Step 2:	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld <input type="checkbox"/> TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.	
<p>Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)</p>		
Step 3:	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): Claim Dependents Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____ Multiply the number of other dependents by \$500 ▶ \$ _____ Add the amounts above and enter the total here 3 \$ _____	
Step 4 (optional):	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income 4(a) \$ _____ (b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here 4(b) \$ _____ (c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____	
Step 5:	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete. ▶ _____ ▶ _____ Employee's signature (This form is not valid unless you sign it.) Date	
Employers Only	Employer's name and address _____	First date of employment _____ Employer identification number (EIN) _____
For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form W-4 (2020)		

Impact on Employees

- The new W-4 is more accurate for the calculation of tax withholding with respect to adjusting for tax credits, other income and deductions.
- Filling out the new W-4 may take the employee additional time to properly complete
- Employees can continue with their same withholding status in 2020 and are not required to fill out a new W-4 in 2020

Impact on Employers

- Employers may ask employees to fill out the new W-4 but cannot require employees to do so
- Employees may need additional time with the onboarding process and may find it necessary to look up information from last year's income tax return
- At a minimum, employees could be asked to complete just Steps 1 and 5 and submit changes to the W-4 at a later date

Informing Your Employees

The American Payroll Association has created a sample letter template (see page 5) explaining the 2020 W-4 to employees. You can customize this letter to your organization.

The new W-4 is very different from previous versions and many may find it challenging. Payroll professionals must balance being helpful to their employees with the understanding that they need to be careful not to give tax or legal advice. If their employees need advice, they should be advised to speak to an accountant or tax professional. Legally, payroll professionals and employers cannot give tax advice to employees.

The attached letter explains why the form has changed, recommends that employees perform a "paycheck checkup" using the IRS's Tax Withholding Estimator and provides basic information about the steps employees will take to complete the form.

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Your Logo Here

To: (All employees or individually named employees)

CC: Human Resources

From: (Your name here)

Date: (Fill in as appropriate)

Re: 2020 Federal Form W-4

The 2020 Form W-4, Employee's Withholding Certificate, is very different from previous versions. This is due to the federal tax law changes that took place in 2018. The Internal Revenue Service (IRS) is not requiring all employees to complete the revised form and has designed the withholding tables so that they will work with both the new and prior year forms. However, certain employees will be required to use the new form: Employees **hired** in 2020 and employees making withholding **changes** during 2020.

Even though the IRS does not require all employees to complete the revised form and even if your tax situation has not changed, the IRS recommends that you perform a "paycheck checkup" to see if you need to make adjustments to your current withholding. To conduct the checkup, you can use the IRS's Tax Withholding Estimator <https://apps.irs.gov/app/tax-withholding-estimator-2019>. To effectively use the estimator, it is helpful to have a copy of your most recent pay stub and tax return. It is likely that the estimator will be updated to account for the 2020 tax tables in early January. **Please note: If you do not submit a new form W-4, withholding will continue based on your previously submitted form W-4.**

Before completing the 2020 Form W-4, please read the instructions that are included with the form. You must complete Steps 1 and 5. Steps 2, 3, and 4 are optional, but completing them will help ensure that your federal income tax withholding will more accurately match your tax liability. Step 1 is for your personal information; Step 2 is for households with multiple jobs; Step 3 is used to claim tax credits for dependents; Step 4 is for other adjustments (additional income such as interest and dividends, itemized deductions that exceed the standard deduction, and extra tax you want withheld); and Step 5 is where you sign the form.

If you need assistance with filling out the new W-4, you will need to contact an accountant or tax professional.

The IRS takes your privacy seriously and suggests that, if you are worried about reporting income from multiple jobs in Step 2 or other income in Step 4(a), you check the box in Step 2(c) or enter an additional withholding amount in Step 4(c). To determine the additional withholding amount, you can use the withholding estimator. The IRS has also published Frequently Asked Questions that you may find helpful as you complete the form <https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>.