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W-4 Changes for 2020: Final IRS Update

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Agenda

Form W-4

- W-4 Requirements
- Electronic W-4's
- Legislative Update-Tax Reform and the W-4
- Draft 2020 Review
- Final Form W-4
- Other W-4 guidance
 - Lock in letters
 - Substitute W-4
 - Non Resident Alien W-4 Processing
- Questions

W-4 Requirements

New Hired Employees

- All employees should complete a Form W-4 when they are first hired.
- The completed form will stay in affect until the employee fills out a new valid form. An employee should complete a new form if their marital status, or allowances change, or if too much or too little is being withheld from wages.
- If an employee does not complete and return a Form W-4 before the first pay period. The employee must be defaulted to Single and Zero for 2019 and Single with no adjustments in 2020.

W-4 Requirements

- Current Employee
 - Ask employees to update each year, but not required.
 - Tools for assistance
 - *IRS.gov/w4app*
- Employers can provide the form in Spanish
 - Rules in Pub 17
 - W-4 (SP)
- Successor Employers
 - Employer should secure a new form W-4
 - Unless the “Alternative Procedure” in section 5 of Revenue Procedure 2004-53 applies *IRS.gov/irb/2004-34_IRB/ar13.html*
- Electronic Form W-4 is allowed
 - Regulations section 31.3402(f) (5)-1(c)

Poll: How would an employer default the new form W-4 slide 4?

- 1) Married and zero
- 2) Single and zero
- 3) Single with no adjustments
- 4) Married with no adjustments

Electronic W-4 Requirements

- Electronic requirements are maintained by Section 31.3402(f)(5)-1(c)
- Employer can set up electronic W-4 system as long as below requirements are met.
 - The electronic system must ensure that the information received is the information sent.
 - System must document all occasions of employee accessing the system and making form W-4 updates.
 - The design and operation of the electronic system, including access procedures, must make it reasonably certain that the person accessing the system and filing the Form W-4 is the employee identified on the form.

Electronic W-4 Requirements

- The electronic filing must provide the employer with exactly the same information as the paper Form W-4.
- The electronic filing must be signed by the employee under penalties of perjury.
- Upon request by the Internal Revenue Service, the employer must supply a hardcopy of the electronic Form W-4 and a statement that, to the best of the employer's knowledge, the electronic Form W-4 was filed by the named employee. The hardcopy of the electronic Form W-4 must provide exactly the same information as the paper Form W-4.

Federal Tax Withholding- Form W-4-2019 Draft

Employees will not be required to complete a new Form W-4

- Changes
 - Elimination of number of allowances
 - New Marital Status- Head of household
 - New Line 5 Additions to Income (non-wage income)
 - New Line 6 Itemized and Other Deductions (estimated subtractions from income)
 - New Line 7 Tax Credits (ex Child tax credit, etc)
 - New Line 8 Additional Household Income Due to Multiple Jobs (income from second jobs)
 - Line 9 Additional Amount, If Any, You Want withheld each paycheck (not new)

Employee's Withholding Allowance Certificate

Department of the Treasury
Internal Revenue Service

- ▶ Give Form W-4 to your employer.
- ▶ Go to www.irs.gov/FormW4 for instructions and the latest information.
- ▶ The amount of, or exemption from, withholding is subject to review by the IRS.

2019

1 Your first name and middle initial	Last name	2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single or married filing separately <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Head of household
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ▶ <input type="checkbox"/>

Before you begin:

- See the instructions at www.irs.gov/FormW4 before completing this form. If you have a simple tax situation, you may be able to use the brief instructions on the back of this form.
- You also can use the calculator at www.irs.gov/W4App to complete your Form W-4.
- If you hold more than one job at a time (or are married filing jointly and both you and your spouse have jobs), complete lines 5, 6, and 7 **only** for the highest paying job in the household.

5 Enter the amount, if any, of nonwage income not subject to withholding, such as interest and dividends	5	\$	
6 Enter the amount, if any, of itemized and other deductions	6	\$	
7 Enter the amount, if any, of tax credits, such as the child tax credit	7	\$	
8 Complete this line <i>only</i> if you have multiple jobs at the same time or file as married filing jointly and both you and your spouse work; otherwise, leave it blank. Enter the total pay of all lower paying jobs	8	\$	
9 Additional amount, if any, you want withheld from each paycheck	9	\$	
10 I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶	10		

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature

(This form is not valid unless you sign it.) ▶

Date ▶

11 Employer's name and address (Employer: Complete boxes 11 and 13 if sending to IRS and complete boxes 11, 12, and 13 if sending to State Directory of New Hires.)	12 First date of employment	13 Employer identification number (EIN)

Poll: Do all employees need to complete the new 2020 Form W-4?

1) Yes

2) No

Final 2019 Form W-4 Changes

- Changes to instructions on how to properly calculate out the correct withholding.
- Wording changes

Form W-4 (2019)

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after it was published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. You may claim exemption from withholding for 2019 if **both** of the following apply.

- For 2018 you had a right to a refund of **all** federal income tax withheld because you had **no** tax liability, **and**
- For 2019 you expect a refund of **all** federal income tax withheld because you expect to have **no** tax liability.

If you're exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2019 expires February 17, 2020. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

General Instructions

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2019 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider

using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income not subject to withholding outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2019. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Note that if you have too much tax withheld, you will receive a refund when you file your tax return. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty.

Filers with multiple jobs or working spouses. If you have more than one job at a time, or if you're married filing jointly and your spouse is also working, read all of the instructions including the instructions for the Two-Earners/Multiple Jobs Worksheet before beginning.

Nonwage income. If you have a large amount of nonwage income not subject to withholding, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you might owe additional tax. Or, you can use the Deductions, Adjustments, and Additional Income Worksheet on page 3 or the calculator at www.irs.gov/W4App to make sure you have enough tax withheld from your paycheck. If you have pension or annuity income, see Pub. 505 or use the calculator at www.irs.gov/W4App to find out if you should adjust your withholding on Form W-4 or W-4P.

Nonresident alien. If you're a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Specific Instructions

Personal Allowances Worksheet

Complete this worksheet on page 3 first to determine the number of withholding allowances to claim.

Line C. Head of household please note: Generally, you may claim head of household filing status on your tax return only if you're unmarried and pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you may be eligible to claim a child tax credit for each of your eligible children. To qualify, the child must be under age 17 as of December 31, must be your dependent who lives with you for more than half the year, and must have a valid social security number. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse if you are filing a joint return.

Line F. Credit for other dependents. When you file your tax return, you may be eligible to claim a credit for other dependents for whom a child tax credit can't be claimed, such as a qualifying child who doesn't meet the age or social security number requirement for the child tax credit, or a qualifying relative. To learn more about this credit, see Pub. 972. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total

Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records.

W-4 Form Department of the Treasury Internal Revenue Service		Employee's Withholding Allowance Certificate		OMB No. 1545-0074 2019	
		▶ Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.			
1 Your first name and middle initial		Last name		2 Your social security number	
Home address (number and street or rural route)				3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married filing separately, check "Married, but withhold at higher Single rate."	
City or town, state, and ZIP code				4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ▶ <input type="checkbox"/>	
5 Total number of allowances you're claiming (from the applicable worksheet on the following pages)				5	
6 Additional amount, if any, you want withheld from each paycheck				6 \$	
7 I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶				7	
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.					
Employee's signature (This form is not valid unless you sign it.) ▶				Date ▶	
8 Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.)				9 First date of employment	
				10 Employer Identification number (EIN)	

Draft of 2020 Form W-4

- Released on May 31, 2019
- Comments accepted for 30 days
- IRS released instructions mid August
 - IRS.gov/Pub 15-T will be expanded with the mid august release
- Near Final Draft form expected in mid to late July was released on Aug 8, 2019
 - Changes included title change to remove allowances the new title is Employee Withholding Certificate.
 - IRS confirms no substantial changes will be made with final
 - Why IRS released near final draft
 - For payroll programs to begin preparing
 - Release of tax withholding estimator
 - [CLICK HERE](#)
- Final expected in November released on Dec 4, 2019
- Employers are not required to obtain a new form from employees.

Draft of 2020 Form W-4

New hires

- If a form is not submitted the employer is to put the employee at single with no other adjustments.

All employees who need to make a Form W-4 change after 1/1/2020 will be required to use the new form.

Non-resident alien adjustments will still occur per the Publication 15-T instructions.

Draft of 2020 Form W-4

- Withholding calculation changes are not necessary as the IRS says the same withholding tables will be used for the old and new form.
 - The IRS will be issuing guidance on how this will work.
- Proposed Changes
 - In new section 4 of the draft 2020 Form W-4, employees may optionally request other adjustments to their federal income tax withholding by entering dollar amounts for:
 - Additional nonwage income such as interest, dividends and retirement income
 - Deductions other than the standard deduction from income for the household, such as itemized or other deductions
 - Any additional amount of federal income tax the employee wishes to have withheld each payroll period
 - Unlike in the draft 2019 Form W-4, step 4 does not include the option to enter income from multiple jobs. Instead, the 2020 draft Form W-4 adds step 2 to the Form W-4 where employees are instructed to use the IRS calculator or the Form W-4 worksheets to estimate any additional withholding required and to enter that amount as "any additional amount you want withheld in each pay period" in step 4.

2020 Draft W-4 Form

Draft # 1 5/30/2019

Draft # 2 8/8/2019

Form W-4		Employee's Withholding Allowance Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ 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.		2020
Step 1: Enter Personal Information	1a	First name and middle initial	Last name	1b Social security number
	Home address (number and street)			▶ 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.
	City or town, state, and ZIP code			
1c		<input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly <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.)		
Complete Steps 2 through 4 if they apply to you; otherwise, skip to Step 5. See instructions on page 2.				
Step 2: Account for Multiple Jobs	Caution: The correct amount of withholding depends on income earned from all jobs in the household. If you: <ul style="list-style-type: none"> Hold more than one job at a time, or Are married filing jointly and both you and your spouse work, account for this below or you may owe additional tax when filing your tax return. (If you and/or your spouse have income from self-employment, see page 2.)			
2 Multiple jobs. Do only one of the following. <ul style="list-style-type: none"> Use the calculator at www.irs.gov/W4App for most accurate withholding; or Use Worksheet 1 on page 3 and enter the result on line 4c below for roughly accurate withholding; or If there are only two jobs in your household, you may check here. Do the same on Form W-4 for the other job. With this option, more tax than necessary may be withheld from your wages, but you generally won't have too little tax withheld. 				
Complete lines 3 through 4b on Form W-4 for only one job in the household. (Your withholding will be most accurate if you do this on the Form W-4 for the highest paying job.)				
Step 3: Claim Dependents	3	Dependents. If your income will be \$200,000 or less (\$400,000 or less if married filing jointly) (see instructions): <ul style="list-style-type: none"> 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: Other Adjustments (optional)	4a	Other income. If you want tax withheld for other income you expect this year that will not have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income. You should not include income from any jobs		4a \$
	4b	Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use Worksheet 2 on page 3 and enter the result here		4b \$
	4c	Enter any additional amount you want withheld each pay period		4c \$
	4d	Exemption. You can claim exemption from withholding for 2020 if: <ul style="list-style-type: none"> For 2019, you had no federal income tax liability; and For 2020, you expect to have no federal income tax liability. If you meet both of these conditions, certify by writing "Exempt" here ▶		4d
Step 5: Sign Here	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	5 Employer's name and address	6 First date of employment	7 Employer identification number (EIN)	

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form W-4 (2020)

Form W-4		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ 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.		2020
Step 1: Enter Personal Information	(a)	First name and middle initial	Last name	(b) Social security number
	Address			▶ 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.
	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.)		
Complete Steps 2 through 4 ONLY if they apply to you. To see if you are exempt from withholding or if you have concerns about your privacy, see page 2. Everyone must complete Step 5. See instructions on page 2.				
Step 2: Multiple Jobs or Spouse Works	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. <ul style="list-style-type: none"> (a) Use the estimator at www.irs.gov/W4App for most accurate withholding; 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. CAUTION: If you have privacy concerns, choose (a) or (b). If you and/or your spouse have income from self-employment, including as an independent contractor, choose (a).			
Complete Steps 3 through 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 through 4(b) on the Form W-4 for the highest paying job.)				
Step 3: Claim Dependents	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly): <ul style="list-style-type: none"> 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): Other Adjustments	(a) Other income. 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. You should not include income from any jobs			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: Sign Here	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 2.

Cat. No. 10220Q

Form W-4 (2020)

Final 2020 Form W-4

Form W-4	Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	<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>		2020
Step 1: Enter Personal Information	(a) First name and middle initial Last name Address City or town, state, and ZIP code	(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 .
	(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.)		
<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: Multiple Jobs or Spouse Works	<p>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.</p> <p>(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"/></p> <p>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>		
<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: Claim Dependents	<p>If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):</p> <p>Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____</p> <p>Multiply the number of other dependents by \$500 ▶ \$ _____</p> <p>Add the amounts above and enter the total here 3 \$ _____</p>		
Step 4 (optional): Other Adjustments	<p>(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) \$ _____</p> <p>(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) \$ _____</p> <p>(c) Extra withholding. Enter any additional tax you want withheld each pay period 4(c) \$ _____</p>		
Step 5: Sign Here	<p>Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.</p> <p>▶ Employee's signature (This form is not valid unless you sign it.) ▶ Date</p>		
Employers Only	Employer's name and address	First date of employment	Employer Identification number (EIN)
<p>For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat. No. 10220Q Form W-4 (2020)</p>			

Poll: Can an employee claim per pay period amounts for child tax credits slide 18

- 1) Yes
- 2) No

Draft 2020 Employer Calculations

- When employees only complete step 1 and 5, employers will withhold using the appropriate method for the filing status and wage amounts.
- Employees that complete steps 2-4, employers will need to take additional steps.
 - If an employee checks the box on line 2, the employer will calculate withholding from the higher rate tables. If an employee chooses one of the other two alternatives to account for multiple jobs, the additional withholding will be included with any other additional tax amounts for the pay period in step 4, Line 4c

Draft 2020 Employer Calculations

- Amounts entered on line 3 (dependents) to claim employee dependents as an annual reduction of tax. Line 3 may be used to take into account other tax credits.
- Any amounts in 4a (other income) will increase the amount of wages subject to withholding, 4b (deductions) will reduce the annual amount of wages subject to withholding. Amounts on line 4c will increase the withholding per pay period tax amount (old additional tax amount).
- Line 4d is where employees claim an exemption from withholding (exempt)

Draft 2020 Employer Calculations

- The IRS will have three withholding filing statuses, single, married filing jointly & head of household. For withholding calculation purposes the number of allowances for Married filing jointly is 3, single and head of household will be 2.
- Withholding method tables are divided into two rates:
 - Standard: those with active W-4 before 2020 and those that complete a 2020 or later form where box in step 2 is not checked.
 - Higher: those that check the box in step 2

Draft 2020 Employer Withholding Worksheet

The employer withholding worksheet has 4 steps:

Step 1: Adjust the employees wage amount (employees annual wage)

Step 2: Figure the tentative withholding amount. This amount is calculated based on the employees adjusted pay period wage amount of adjusted annual wage, filing status (Box 1c of the 2020 Form W-4 or Line 3 on previous forms) and whether the employee checks that box in step 3 of the 2020 draft W-4 Form.

Step 3: Account for tax credits claimed by the employee.

Step 4: Figure the final amount to withhold.
Add in line 4a for any additional amounts.

Payroll Withholding Calculation-2020 Later

Worksheet 4. Employer's Withholding Worksheet for Percentage Method Tables for Manual Payroll Systems With Forms W-4 From 2020 or Later

Keep for Your Records 

Note. This illustrates what the 2020 procedure could look like by using the 2019 tax parameters.

Table 5	Monthly	Semimonthly	Biweekly	Weekly	Daily
	12	24	26	52	260

Step 1. Adjust the employee's wage amount

- 1a Enter the employee's total taxable wages this payroll period 1a \$ _____
- 1b Enter the number of pay periods you have per year (see Table 5) 1b _____
- 1c Enter the amount from Step 4(a) of the employee's Form W-4 1c \$ _____
- 1d Divide line 1c by the number on line 1b 1d \$ _____
- 1e Add lines 1a and 1d 1e \$ _____
- 1f Enter the amount from Step 4(b) of the employee's Form W-4 1f \$ _____
- 1g Divide line 1f by the number on line 1b 1g \$ _____
- 1h Subtract line 1g from line 1e. If zero or less, enter -0-. This is the **Adjusted Wage Amount** 1h \$ _____

Step 2. Figure the Tentative Withholding Amount

based on your pay frequency, the employee's Adjusted Wage Amount, filing status (Step 1(c) of Form W-4), and whether the box in Step 2 of Form W-4 is checked.

- 2a Find the row in the *STANDARD Withholding Rate Schedules* (if the box in Step 2 of Form W-4 is NOT checked) or the *Form W-4, Step 2, Checkbox, Withholding Rate Schedules* (if it HAS been checked) of the Percentage Method tables in this section in which the amount on line 1h is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row 2a \$ _____
- 2b Enter the amount from column C of that row 2b \$ _____
- 2c Enter the percentage from column D of that row 2c _____ %
- 2d Subtract line 2a from line 1h 2d \$ _____
- 2e Multiply the amount on line 2d by the percentage on line 2c 2e \$ _____
- 2f Add line 2b and line 2e. This is the **Tentative Withholding Amount** 2f \$ _____

Step 3. Account for tax credits

- 3a Enter the amount from Step 3 of the employee's Form W-4 3a \$ _____
- 3b Divide the amount on line 3a by the number of pay periods on line 1b 3b \$ _____
- 3c Subtract line 3b from line 2f. If zero or less, enter -0- 3c \$ _____

Step 4. Figure the final amount to withhold

- 4a Enter the additional amount to withhold from Step 4(c) of the employee's Form W-4 4a \$ _____
- 4b Add lines 3c and 4a. **This is the amount to withhold from the employee's wages this pay period** 4b \$ _____

After 2020 Percentage Table-Example

2020 Percentage Method Tables for Manual Payroll Systems With Forms W-4 From 2020 or Later

Note. This illustrates what the 2020 tables would look like by using the 2019 tax parameters.

WEEKLY Payroll Period									
STANDARD Withholding Rate Schedules (Use these if the box in Step 2 of Form W-4 is NOT checked.)					Form W-4, Step 2, Checkbox, Withholding Rate Schedules (Use these if the box in Step 2 of Form W-4 IS checked.)				
If the Adjusted Wage Amount (line 1h) is:		The tentative amount to withhold is:	Plus this percentage—	of the amount that the Adjusted Wage exceeds—	If the Adjusted Wage Amount (line 1h) is:		The tentative amount to withhold is:	Plus this percentage—	of the amount that the Adjusted Wage exceeds—
At least—	But less than—				At least—	But less than—			
A	B	C	D	E	A	B	C	D	E
Married Filing Jointly					Married Filing Jointly				
\$0	\$469	\$0.00	0%	\$0	\$0	\$235	\$0.00	0%	\$0
\$469	\$842	\$0.00	10%	\$469	\$235	\$421	\$0.00	10%	\$235
\$842	\$1,988	\$37.30	12%	\$842	\$421	\$994	\$18.60	12%	\$421
\$1,988	\$3,708	\$174.82	22%	\$1,988	\$994	\$1,854	\$87.36	22%	\$994
\$3,708	\$6,651	\$553.22	24%	\$3,708	\$1,854	\$3,325	\$276.56	24%	\$1,854
\$6,651	\$8,319	\$1,259.54	32%	\$6,651	\$3,325	\$4,160	\$629.60	32%	\$3,325
\$8,319	\$12,245	\$1,793.30	35%	\$8,319	\$4,160	\$6,123	\$896.80	35%	\$4,160
\$12,245		\$3,167.40	37%	\$12,245	\$6,123		\$1,583.85	37%	\$6,123
Single					Single				
\$0	\$235	\$0.00	0%	\$0	\$0	\$117	\$0.00	0%	\$0
\$235	\$421	\$0.00	10%	\$235	\$117	\$211	\$0.00	10%	\$117
\$421	\$994	\$18.60	12%	\$421	\$211	\$497	\$9.40	12%	\$211
\$994	\$1,854	\$87.36	22%	\$994	\$497	\$927	\$43.72	22%	\$497
\$1,854	\$3,325	\$276.56	24%	\$1,854	\$927	\$1,663	\$138.32	24%	\$927
\$3,325	\$4,160	\$629.60	32%	\$3,325	\$1,663	\$2,080	\$314.96	32%	\$1,663
\$4,160	\$10,048	\$896.80	35%	\$4,160	\$2,080	\$5,024	\$448.40	35%	\$2,080
\$10,048		\$2,957.60	37%	\$10,048	\$5,024		\$1,478.80	37%	\$5,024
Head of Household					Head of Household				
\$0	\$353	\$0.00	0%	\$0	\$0	\$176	\$0.00	0%	\$0
\$353	\$619	\$0.00	10%	\$353	\$176	\$310	\$0.00	10%	\$176
\$619	\$1,369	\$26.60	12%	\$619	\$310	\$685	\$13.40	12%	\$310
\$1,369	\$1,972	\$116.60	22%	\$1,369	\$685	\$986	\$58.40	22%	\$685
\$1,972	\$3,443	\$249.26	24%	\$1,972	\$986	\$1,722	\$124.62	24%	\$986
\$3,443	\$4,278	\$602.30	32%	\$3,443	\$1,722	\$2,139	\$301.26	32%	\$1,722
\$4,278	\$10,166	\$869.50	35%	\$4,278	\$2,139	\$5,083	\$434.70	35%	\$2,139
\$10,166		\$2,930.30	37%	\$10,166	\$5,083		\$1,465.10	37%	\$5,083

Payroll Withholding Calculation-Before 2020

Worksheet 5. Employer's Withholding Worksheet for Percentage Method Tables for Manual Payroll Systems With Forms W-4 From Before 2020

Keep for Your Records 

Note. This illustrates what the 2020 procedure could look like by using the 2019 tax parameters.

Table 6

Monthly	Semimonthly	Biweekly	Weekly	Daily
\$350	\$175	\$162	\$81	\$16

Step 1. Adjust the employee's wage amount

- 1a Enter the employee's total taxable wages this payroll period 1a \$ _____
- 1b Enter the number of allowances claimed on the employee's most recent Form W-4 1b _____
- 1c Multiply line 1b by the amount in Table 6 for your pay frequency 1c \$ _____
- 1d Subtract line 1c from line 1a. If zero or less, enter -0-. This is the **Adjusted Wage Amount** 1d \$ _____

Step 2. Figure the Tentative Withholding Amount

based on your pay frequency, the employee's Adjusted Wage Amount, and marital status (line 3 of Form W-4).

- 2a Find the row in the Percentage Method table in this section in which the amount on line 1d is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row 2a \$ _____
- 2b Enter the amount from column C of that row 2b \$ _____
- 2c Enter the percentage from column D of that row 2c _____ %
- 2d Subtract line 2a from line 1d 2d \$ _____
- 2e Multiply the amount on line 2d by the percentage on line 2c 2e \$ _____
- 2f Add line 2b and line 2e 2f \$ _____
- 2g Add line 2b and line 2f. This is the **Tentative Withholding Amount** 2g \$ _____

Step 3. Account for tax credits

- 3a Enter the additional amount to withhold from line 6 of the employee's Form W-4 3a \$ _____
- 3b Add lines 2g and 3a. **This is the amount to withhold from the employee's wage this pay period** 3b \$ _____

Before 2020 Percentage Table-Example

2020 Percentage Method Tables for Manual Payroll Systems With Forms W-4 From Before 2020

Note. This illustrates what the 2020 tables would look like by using the 2019 tax parameters.

WEEKLY Payroll Period

Married Person					Single Person (including head of household)				
If the Adjusted Wage Amount (line 1d) is		The tentative amount to withhold is:	Plus this percentage	of the amount that the wage exceeds	If the Adjusted Wage Amount (line 1d) is		The tentative amount to withhold is:	Plus this percentage	of the amount that the wage exceeds
at least	But less than				at least	But less than			
A	B	C	D	E	A	B	C	D	E
\$0	\$227	\$0.00	0%	\$0	\$0	\$73	\$0.00	0%	\$0
\$227	\$600	\$0.00	10%	\$227	\$73	\$260	\$0.00	10%	\$73
\$600	\$1,745	\$37.30	12%	\$600	\$260	\$832	\$18.70	12%	\$260
\$1,745	\$3,465	\$174.70	22%	\$1,745	\$832	\$1,692	\$87.34	22%	\$832
\$3,465	\$6,409	\$553.10	24%	\$3,465	\$1,692	\$3,164	\$276.54	24%	\$1,692
\$6,409	\$8,077	\$1,259.66	32%	\$6,409	\$3,164	\$3,998	\$629.82	32%	\$3,164
\$8,077	\$12,003	\$1,793.42	35%	\$8,077	\$3,998	\$9,887	\$896.70	35%	\$3,998
\$12,003		\$3,167.52	37%	\$12,003	\$9,887		\$2,957.85	37%	\$9,887

Special W-4 Processing for Non-Resident Aliens

- **Nonresident alien employee's Form W4.** When completing Forms W-4, nonresident aliens are required to:
- Non Resident Aliens should review Notice 1392 before completing the Form W-4
 - Not claim exemption from income tax withholding,
 - Request withholding as if they're single, regardless of their actual marital status,
 - Claim only one allowance (if the nonresident alien is a resident of Canada, Mexico, or South Korea, or a student or business apprentice from India, he or she may claim more than one allowance), and
 - Write "Nonresident Alien" or "NRA" above the dotted line on line 6 of Form W-4.
 - If you maintain an electronic Form W-4 system, you should provide a field for nonresident aliens to enter non-resident alien status instead of writing "Nonresident Alien" or "NRA" above the dotted line on line 6.

Non-Resident Alien Processing

Step 1. Determine if the nonresident alien employee has submitted a 2020 Form W-4 or an earlier Form W-4. Then add to the wages paid to the nonresident alien employee for the payroll period the amount for the applicable type of Form W-4 and payroll period.

If the nonresident alien employee started before 2020 and **has not** submitted a Form W-4 for 2020 or later, add the amount shown in Table 1 to their wages for calculating federal income tax withholding.

Table 1

Payroll Period	Add Additional
Weekly	\$153.80
Biweekly	307.70
Semimonthly	333.30
Monthly	666.70
Quarterly	2,000.00
Semiannually	4,000.00
Annually	8,000.00
Daily or Miscellaneous (each day of the payroll period)	30.80

If the nonresident alien employee has submitted a Form W-4 for **2020 or later** or started in 2020 or later, add the amount shown in Table 2 to their wages for calculating federal income tax withholding.

Table 2

Payroll Period	Add Additional
Weekly	\$234.60
Biweekly	461.50
Semimonthly	500.00
Monthly	1,016.70
Quarterly	3,050.00
Semiannually	6,100.00
Annually	12,200.00
Daily or Miscellaneous (each day of the payroll period)	46.90

DRAFT

Non-Resident Alien Processing

Step 2 Enter the amount figured in step 1 above earnings to get to the total taxable wages. (line 1a of the withholding worksheet that you use to figure federal income tax withholding.)

The additional amount added is only for the federal tax withholding calculation only. These additional amounts are not reported on the Form W-2. They are also not used when calculating the FICA taxes (Social Security and Medicare for the employee)

W-4 Submission to IRS

Changes & Lock in letters

- Old regulations required employers to send W-4 that claim more than 10 and exempt to the IRS with their 941's. As of April 14, 2005 this requirement has been eliminated.
- Private "lock in" letter rulings that are sent to the employer's are still required to be implemented.
- Lock in letter requirements for employers
 - Provide the employee copy of the lock in letter within 10 business days of a receipt if the employee is employed as of the date of notice.
 - Begin lock in letter as of effective date in the notice
 - Must withhold on rehires that come back within 12 months after termination

Lock in letters

- The IRS can modify the lock in letter, but they will notify the employer of the modification.
- Employers should disregard any modification that the employee makes to the Form W-4 given by the employee except in the situation that an employee claims less allowances than the IRS lock in letter indicates.

Communication Plan

- Most significant change to the Form W-4 since the early 40's.
- Americans are not prepared the completing the Form W-4 in a completely different method.
- To avoid employers and payroll departments getting a lot of question by employees that employers are not to answer communication will be key.
 - With the required Dec 1 W-4 communication
 - Provide the new Form W-4 with the employee's W-2
 - Provide employee's with the IRS tools such as

[Click Here](#)

Substitute W-4 Forms

- The IRS encourages employers to use the IRS approved Form W-4
- But...the IRS does allow for a substitute Form W-4 if certain requirements are met.
 - Must contain language that is identical to the official Form W-4
 - The employer form must meet all requirements of the IRS rules for substitution.
 - At the time the substitute form is provided to the employee all tables, instructions and worksheets from the current W-4 must be provided.
 - Only employee substitute forms created before October 11, 2007 can be used, all others should be denied.



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