



IRS 2020 Form W-4 Employer Toolkit

Introduction

IRS Form W-4, Employee's Withholding Certificate for 2020 includes fundamental changes to income tax withholding that will significantly affect both employers and employees. These changes are largely in response to the 2017 Tax Cuts and Jobs Act.

This **IRS 2020 Form W-4 Employer Toolkit** is intended to help you understand and prepare for the upcoming changes. You will receive additional instructions on how your specific payroll and tax withholding systems will be modified to accept new inputs and handle revised calculations. You should review and understand the changes to the forms and instructions for complying with new 2020 withholding calculations and procedures, and to be able to explain the changes to employees.

The most significant change is that there are no withholding allowances. Allowances have been the basis for income withholding for decades, so many employees may ask about how to adjust their tax withholding for their situations. This toolkit will help you address that question.



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Changes to Form W-4 for 2020

Existing employees are not required to complete a 2020 Form W-4.

Employees hired before 2020 can simply leave their 2019 or prior Form W-4 in effect indefinitely. Employers should therefore expect to support the prior W-4 and withholding allowances for the foreseeable future, which may mean maintaining payroll systems that can simultaneously support allowances-based calculations, and new 2020 W-4 inputs.

- **The 2020 version is the only valid Form W-4 after 2019**
- After 2019, new hires must use the 2020 Form W-4, and current employees must use the 2020 version to adjust withholdings.
- Only Steps 1 and 5 are required (name, address, filing status and signature).
- Steps 2, 3 and 4 generally permit adjustments to withholding to compensate for two-earner households, other income, tax credits or deductions. These steps are optional, but may result in more accurate withholding.
 - New checkbox for multiple jobs and two-earner families — in Step 2
 - This checkbox automatically adjusts withholding for families in which both spouses work.
 - Prior to 2020, the employee completed a detailed worksheet to calculate an additional amount to withhold.
- New filing status — Head of Household — along with separate withholding tax tables.
- Other new payroll inputs include:
 - Full-year dollar amount of expected child and dependent tax credits
 - Full-year dollar amount of expected other income
 - Full-year dollar amount of expected deductions
- An additional amount to withhold per-payroll is the only element that did not change, so employees may still authorize an additional dollar amount to withhold from each pay, for any reason.

Form W-4 Employee's Withholding Certificate (OMB No. 1545-0047) **2020**

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.

Step 1: Enter Personal Information

(a) First name and middle initial _____ Last name _____ (b) Social security number _____

Address _____

City or town, state and ZIP code _____

Step 2: Single or Married Filing Separately

(a) Single or Married Filing Separately

(b) Married Filing Jointly (or Qualifying widow(er))

(c) Head of Household (Check only if you are unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

Multiple Jobs or Spouse Works

Do any one of the following:

(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 4c) below for roughly accurate withholding; or

(c) If you are a two-earner family, 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 primary concern, 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 4b 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 3: Claim Dependents

If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):

3a) Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____

3b) 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 job 4a) \$ _____

(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 4b) \$ _____

(c) **Extra withholding.** Enter any additional tax you want withheld each pay period 4c) \$ _____

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 _____

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. 102020 Form W-4 (2020)

Only Steps 1 and 5 are required (name, address, filing status and signature).



Step 2 of the 2020 Form W-4

Employees with multiple jobs or spouses who also work are directed to do one of the following:

- a) **Online Withholding Estimator**
- b) **Multiple Jobs Worksheet; or,**
- c) **Check the box**

The IRS emphasizes that if an employee opts for the checkbox, BOTH spouses should check the box. However, only ONE spouse should complete Steps 3 and 4(a) and (b), which are child and dependent tax credits, other income, and deductions. Additional information on this section is provided in [Frequently Asked Questions About the 2020 Form W-4 from IRS.gov](#).

How does the Step 2 checkbox work?

Essentially, the tax tables divide the standard deduction and tax brackets equally between two jobs, so that tax rates apply at roughly half of the income threshold that normally applies.

- For example, for the Married Filing Jointly status, the 24% rate normally applies for wages over roughly \$180,000, but if the Step 2 box is checked, the 24% rate applies to wages over about \$96,000.
- Withholding may be substantially higher than the normal schedule, but the tax bracket and rate will be correct for the combined family income.
- Early versions described the Step 2 checkbox in terms of “optional higher withholding,” i.e., for those who are concerned that enough tax be withheld, or who prefer a larger tax refund.
- Individuals who will file as Single or Head of Household may also use this checkbox, but there is no guarantee that checking the box will result in a refund. Tax refunds or amounts due depend on the comprehensive tax situation for the family or individual, compared to the amount withheld throughout the year.



Impact on your employees

The 2020 Form W-4 is far easier and more accurate with respect to adjusting for tax credits, other income, and deductions. Prior versions required the employee to perform a 9- or 10-step worksheet to calculate an additional amount to withhold or establish additional allowances. With the new version, employees will simply enter a full-year estimate in dollars. The payroll system will apply those amounts automatically to per-payroll wage and tax withholding calculations.



Impacts to Onboarding

New employees are often asked to fill out several forms on their first day of work, such as Form I-9, W-4, direct deposit authorization, etc. With this change, new employees may need more time to complete the W-4. They may even need a private room to make phone calls, since it may be necessary to look up information from last year's income tax return. Some of the optional information requires an estimate of total deductions, child and dependent tax credits, and other income, for example.

If you ask new employees to complete the Form W-4 in the office as part of onboarding, you may consider allowing them to take it home to complete. If so, be sure to set expectations for returning the completed form.

Alternatively, new employees could be asked to complete Steps 1 and 5 at a minimum (i.e., name, address, filing status and signature). Employees are always free to submit changes to the Form W-4 as circumstances may warrant, and most employers use electronic Form W-4 systems for this.

If a new employee doesn't complete a Form W-4 after 2019, they should be treated as Single with no adjustments by default.



2020 IRS Publication 15-T, Federal Income Tax Withholding Methods

Publication 15-T now contains all the instructions and tax tables for employers to calculate withholding after 2019, for employees that provide either a 2020 Form W-4 or a prior Form W-4. Separate instructions and worksheets are provided for employers using manual payroll systems.

As noted earlier, many of the worksheets and special computations associated with pre-2020 Forms W-4 were previously completed by employees. The new forms and instructions shift many calculations to the employer (for example, converting various annual amounts to per-payroll amounts). Employers generally will not need to handle these calculations because most payroll systems automatically handle these calculations.

Line 4a, Other Income

Line 4a instructions explain that taxpayers can have tax withheld from wage income to cover other income that doesn't have withholding, such as interest, dividends, and retirement income. The instructions note that "You should not include income from any jobs." Some employees may want to enter income earned from other sources as an independent contractor, from which there is no withholding. Employees can enter any other non-wage income that will be subject to income tax, to avoid the need to pay quarterly estimated taxes or even owe taxes at year end.

However, related IRS FAQs note that the 2020 Form W-4 does not compute self-employment tax. Self-employment tax may apply to income earned as an independent contractor. To use Form W-4 to adjust withholding to account for self-employment income from another source, the IRS suggests the use of the Withholding Estimator at www.irs.gov/W4app, or refer to IRS Publication 505.

Publication 15-T provides that for Step 4a, employers will increase the annual amount of wages subject to income tax withholding by the annual amount shown on Step 4a to calculate the income tax to withhold. The amount on line 4a will not be reported as income on Form W-2.

Claiming Exemption from Withholding

Although there is no longer a dedicated line on the 2020 Form W-4, qualifying employees may still claim exemption from withholding for 2020 if they meet both of the following qualifications: (1) owed no federal tax in 2019, and (2) expect to owe no federal income tax in 2020.

To claim exemption from withholding, employees should certify that they meet both qualifications by writing "Exempt" on the 2020 Form W-4 in the space below Step 4c and completing

Steps 1 and 5. Those who claim exemption from withholding will still need to submit a new Form W-4 annually, generally, by February 15 each year.

Electronic Forms W-4

Many employers administer Forms W-4 electronically. IRS Publication 15-T advises that Electronic Forms W-4 should:

- Provide a field for employees to certify that they are exempt in any electronic Form W-4 system.
- Include the two conditions that taxpayers are certifying: "You had no federal income tax liability in 2019 and you expect to have no federal income tax liability in 2020."

Publication 15-T also notes that employers should continue to provide a field for nonresident aliens to enter nonresident alien status.

Nonresident Aliens

There is still an adjustment for nonresident aliens. Instructions are provided in the 2020 Publication 15-T about the additional amounts that should be added to wages to determine withholding for nonresident aliens.

- **New for 2020:** Employers will need to select from one of two tables in the instructions to determine the amount to add to wages to figure withholding:
 - If a nonresident alien worked before 2020 and has NOT submitted a 2020 Form W-4, use Table 1.
 - If a nonresident alien completed a 2020 Form W-4 (or started work after 2019), use Table 2.

Employers should also give nonresident aliens the [IRS Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens](#). The IRS expects to update Notice 1392 in late 2019.

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:	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. 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) \$
Other Adjustments	(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

Claim dependents and other adjustments in Steps 3 and 4



IRS Withholding Estimator — irs.gov/w-4app

Employers should generally be familiar with the IRS Withholding Estimator, which is an improved resource and alternative to Form W-4 for people with multiple jobs, life changes such as marriage, a new child, or complex tax situations.

Features include:

- A Q&A format to gather relevant information
- Can be used at any time during the year to determine if an individual's withholding is on track, or should be adjusted
- Users can specify a desired refund amount (for example \$0, or \$1,000)
- The system will provide a helpful analysis and instructions at the end



Next steps: How to prepare for the 2020 Form W-4

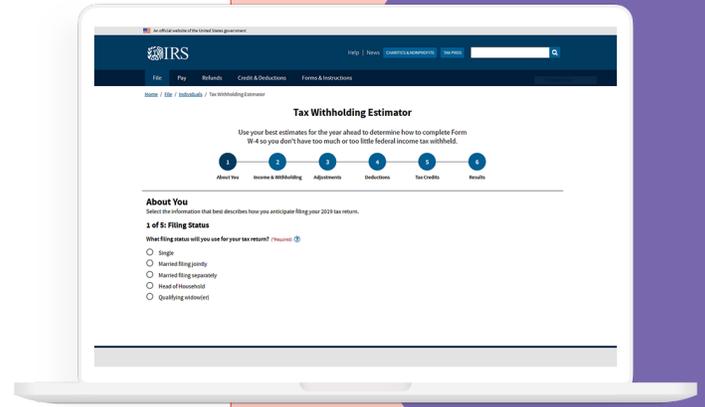
Review the IRS 2020 Form W-4 Employer Overview and FAQs to prepare for implementation of the 2020 Form W-4 and related employee questions. Share this information with others in your organization who may also field employee questions.

You can anticipate additional instructions on how your specific payroll and tax withholding systems will be modified to accept new inputs and handle revised calculations on our about [DATE?] from [sales/service?].

Additional Resources

The IRS Form W-4 and instructions will be finalized in late 2019, but no substantial changes are expected. For additional information, visit: [UPDATE WHEN FINAL]

- [2020 IRS Form W-4 and Instructions](https://irs.gov/pub/irs-dft/fw4--dft.pdf), or irs.gov/pub/irs-dft/fw4--dft.pdf
- [2020 IRS Publication 15-T](https://irs.gov/pub/irs-dft/p15t--dft.pdf) or irs.gov/pub/irs-dft/p15t--dft.pdf
- [IRS Notice 1392](https://www.irs.gov/notice/1392), Supplemental Form W-4 Instructions for Nonresident Aliens



Sample notice to employees

Re: New IRS Form W-4 for 2020

Dear Employee:

The IRS has announced significant changes and enhancements to the IRS Form W-4, Employee's Withholding Certificate, for 2020. The new form and revised withholding calculations could affect your tax withholding and year-end refund or tax due amounts when you file your annual income tax return.

The 2020 Form W-4 is designed to be both easier and more accurate, permitting easy adjustments for anticipated tax credits, other income, and deductions. Previously, you had to complete a detailed worksheet with several calculations to make any such adjustments. If you would like to adjust your withholding to account for these factors, you will now be able to simply enter your full-year estimated amounts on the Form W-4.

Form W-4 Highlights

- There are three options for employees with multiple jobs or two-earner families:
 - Simplified worksheet in the W-4 instructions
 - Enhanced IRS online Withholding Estimator
 - New checkbox to automatically adjust for multiple jobs or two-earner families
- New filing status — Head of Household
- New adjustment entries:
 - Full-year child and dependent tax credits
 - Full-year other income; and,
 - Full-year deductions

In addition, you will still be able to authorize an additional dollar amount to withhold from each pay period, for any reason.

We recommend that all employees complete a 2020 Form W-4 no later than December XX, 2019, which will be applied to wages and withholding beginning in 2020. However, you are not required to submit a new Form W-4. If you do not submit a new Form W-4, withholding will continue to be based on the most recent Form W-4 that you provided.

If you have any questions, **please contact _____ at _____.**

Attachment: 2020 Form W-4 & Instructions