

Technology Problems? (the moderator is speaking now)

- Audio is available through your computer only. There is <u>no</u> call in number.
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- See Technical Help document posted to "Materials" on viewing screen for tips and required settings.
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 - Close & re-launch your player...OR...
 - Click gear icon to top right corner of slide and photo boxes on viewing screen.
 - Select "Flash" instead of "HLS."





Welcome to Today's IRS Webinar

Understanding the 2020 Form W-4 and How to Use it to Compute Withholding



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TOPICS

- Explain the reason for a new design of the W-4
- Explain Steps 1-5 of the 2020 Form W-4
- Explain who must use the 2020 Form W-4
- Illustrate how to complete two of the five worksheets from Publication 15-T
- Live Q&A



2020 Form W-4 – Background

- Tax Cuts and Jobs Act or TCJA or tax reform enacted in December of 2017.
- First task was to update forms, instructions, and publications related to withholding and estimated taxes.
- Issued the 2018 Form W-4 two months later.
- Include the most critical changes necessary to comply with new law.



2020 Form W-4 – New Design

- Primary goals to provide simplicity, accuracy and privacy for employees while minimizing burden for employers and payroll processors.
- Designed to improve the accuracy of employee withholding amounts.
- No longer uses allowances, tied to the amount of the personal exemptions claimed.
- The Form is now divided into 5 Steps.



Review of new Form W-4 – Step 1							
Basic Personal Information							
Form W-4 Employee's Withholding Certificate ONE No. 15 Form W-4 bo that your employer can withhold the correct federal income tax from your pays. Bive Form W-4 to your employer. Bive Form W-4 to your employer.							
Step 1:	(a) f	irst name and middle initial	Last name	(b) \$	ocial security number		
Enter Personal Information	Address City or town, state, and ZIP code				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.		
	 [6] Single or Married filing separately Married filing jointly or Qualifying indovien) Head of howsehold (Check only if you're unmarind and pay more than half the costs of keeping up a home for yourself and a qualifying individual) 						

Review of new Form W-4 – Step 2

Multiple Jobs

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: 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. Multiple Jobs or Spouse Do only one of the following. Works (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 selfemployment, 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.)

Review of new Form W-4 - Step 2 (cont'd)

3 different options –Employees should select only one of three options to ensure enough withholding.

Option 1:

Use the Tax Withholding Estimator

Option 2:

Use the worksheet on page 3

Option 3: Check the box

Review of new Form W-4 – Step 2 (cont'd)

Option 1

- Use the Tax Withholding Estimator tool.
- The Estimator will compute all the relevant entries for the Form W-4 for that job.
- The employee/spouse will also have to complete new Forms W-4 for the other jobs.



Review of new Form W-4 – Step 2 (cont'd)

Option 2

- Complete the Multiple Jobs Worksheet on page 3 to determine an amount to include in Step 4(c) of the Form W-4.
- The employee or spouse must complete new Forms W-4 for the other jobs as well.



Review of new Form W-4 – Step 2 (cont'd)

Option 3

 If the employee (and spouse together, if applicable) has only two jobs, the employee/spouse may check the box on a Form W-4 for each job to have tax withheld at higher rates so there will be enough withholding.



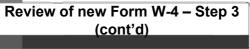
Polling Question

In Step 2, how many of the 3 available options can employees take?

- a. Only one of the three options
- b. Two of the three options
- C. All three of the options
- d. Can choose not to take any of the options



Dependents					
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 \blacktriangleright §				
	Multiply the number of other dependents by \$500 \ldots				
	Add the amounts above and enter the total here				



Dependents

- Allows employees to reduce withholding for child and dependent credits and other tax credits.
- Employees can calculate the child and dependent credits on the face of the form and add other credits to the total.



Review of new Form W-4 - Step 4

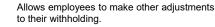
Adjustments

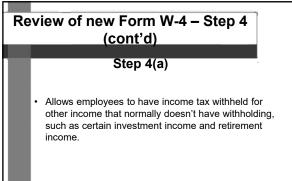
Step 4 (optional): Other Adjustments

- (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
 - (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

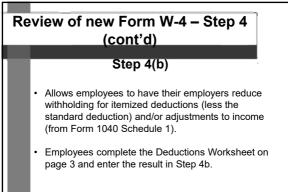
(c) Extra withholding. Enter any additional tax you want withheld each pay period .



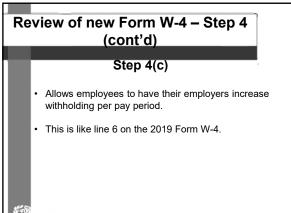












Review of new Form W-4 – Step 4 (cont'd)

Step 4(c) – cont'd

- Employees can enter the amount the Tax Withholding Estimator directs them to enter in Step 4c.
- Employees can enter the amount from the Multiple Jobs Worksheet on page 3 in Step 4c.
- Employees can enter an amount of extra withholding to get a refund or cover other income.



Review of new Form W-4 below Step 4(c)

- Employees eligible to claim exemption from withholding enter "Exempt" in the space below Step 4(c).
- Also, non-resident alien (NRA) employees subject to the special rules described in Notice 1392 enter "NRA" in the space below Step 4(c).



Review of new Form W-4 additional details on Steps 3 and 4

- Generally, employees may complete Steps 3 and 4 to further adjust their withholding but are NOT required to.
- If the employee (and spouse together, if applicable) has more than one job it's best to put all adjustments for Steps 3 and 4 on the Form W-4 for the highest paying job to allow adjustments to be made at the highest tax rates.



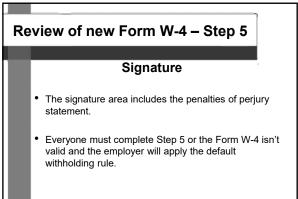
Polling Question

Carolyn and her spouse both have one job. Carolyn's annual wages are \$80,000 and her spouse has annual wages of \$65,000. They have 2 dependents. What steps should Carolyn complete on her Form W-4 to ensure the most accurate withholding?

- a. Steps 1, 2, and 5
- b. Steps 1, 3, and 5
- C. Steps 1 and 5
- d. Steps 1 through 5



Review of new Form W-4 – Step 5						
	Signature					
Step 5: Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowle	dge and belief, is true	correct, and complete.			
Employers Only	Employer's name and address	First date of employment	Employer identification number (EIN)			
For Privacy Ac	t and Paperwork Reduction Act Notice, see page 3. Cat.	No. 10220Q	Form W-4 (2020)			





Must every employee submit a 2020 Form W-4?

- No.
 - Employees who have submitted Form W-4 in any year before 2020 are not required to submit a new form merely because of the redesign. Employers will continue to figure withholding based on the information from the employee's most recently submitted Form W-4.
- However, all newly hired employees in 2020 must use the redesigned form. Similarly, any employees hired prior to 2020 who wish to adjust their withholding in 2020 must use the redesigned form.



Can I require all of my employees to submit a 2020 Form W-4?

- No.
 - While you may ask your employees hired before 2020 to submit new Forms W-4 using the redesigned version of the form, you should explain to them that they aren't required to do this and if they don't submit a new Form W-4, withholding will continue based on a valid Form W-4 previously submitted.



What happens if a new employee doesn't submit a 2020 Form W-4?

- New employees hired in 2020 who fail to submit a Form W-4 will be treated as a single filer with no other adjustments.
- This means that the employer will determine withholding based only on a single filer's standard deduction with no other entries.



How do I figure 2020 federal income tax withholding?

You will use the information provided on your employee's Form W-4 and the federal income tax withholding worksheets and tables in Publication 15-T to figure federal income tax withholding.



Polling Question

Can an employer require all of their employees with a Form W-4 from before 2020 to submit a new 2020 Form W-4?

- Yes, because the new 2020 Form W-4 is mandatory.
- b. Yes, because it will be easier to have all employees under one system.
- C. Yes, because their old W-4 is no longer valid.
- d. No. It is not required.



Publication 15-T



Department of the Treasury Internal Revenue Service

Publication 15-T

Federal Income Tax Withholding Methods

For use in 2020

Introduction
1. Percentage Method Tables for Automated Payroll Systems
2. Wage Bracket Method Tables for Manual Payroll Systems With Forms W-1 From 2020 or Later
Payroll Systems With Forms W-4 From Before 2020
4. Percentage Method Tables for Manual Payroll Systems With Forms W-4 Form
5. Percentage Method Tables for Manual Payroll Systems With Forms W-4 From Before 2020

Future Developments

For the latest information about developments related to Pub. 15-1, such as legalation enabled after it and published, poto (<u>HS operPublish</u>).

Introduction

Contents

The way employers will ligare tedenal income tea withholding for 2020 Form W-4, Employer's Withholding Certificate, is changing to match the changes to be new tome. This special draft release of new Pub. 15 T contains a look at the new employer arises to figure federal income law eithholding.

The XRO Tyrus V-4 has been released to reduce the torus comprised as to increase requestion and accuracy in the withinking system. Beginning with the the torus comprised in the second system of the second system of the second system of the second system (addresses) in the entrividing system of the addresses in bland, area to new trum W-4, employees addresses in bland, area to new trum W-4, employees addresses in bland, area to new trum W-4, employees addresses in bland, area to new trum W-4, employees comprised and accurate the witholding. The comprised of the second second true witholding the second second second true witholding the second seco

The Percentage Method tables, Wage Bracket Method tables, and annualis to add to the segue of a neurostabet above complying annualis of the draft are based on the 2018 articloscy sejustments for suppress of programming and technol. Annu Be 2020 Infallow adjusted annualis are available, They will be indudied in the Pub. 5-1.



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Publication 15-T

Includes separate computations based on:

- The method of withholding (Percentage or Wage Bracket Method),
- Payroll system (automated or manual); and
- Whether the Form W-4 is a 2020 form or a prior year form.



Withholding example for automated payroll systems

- Sophie is a new employee who submitted a 2020 Form W-4 when she was hired.
- In Step 1 of her Form W-4, she selected "Married filing jointly" as her filing status.
- Sophie also completed Step 2 of Form W-4 because her spouse works. She checked the box in Step 2.



Withholding example for automated payroll systems (cont'd)

- Sophie did not complete Steps 3 and 4.
- Sophie's wages are \$2,000 biweekly.



Withholding example for automated payroll systems (cont'd)

Worksheet 1. Employer's Withholding Worksheet for Percentage Method Tables for Automated Payroll Systems

Note. This illustrates what the 2020 procedure could look like by using the 2019 tax parameters. There would be just one procedure for both the Form W-4 from before 2020 and new Form W-4. The formatting will change, and some of the details may need to be modified slightly to conform to the final Form W-4.

Tabl	e 3	Semiannually	Quarterly	Monthly	Semimonthly	Biweekly	Weekly	Daily	1
		2	4	12	24	26	52	260	1
Step 1.	1a 1b	ust the employ Enter the employ Enter the numb Multiply the am	vyee's total tax er of pay perio	able wages this ds you have pe	r year (see Tabl	e 3)		1b	\$ 2,000 26 \$ 52,000
If the employee M49 submitted in Form W 4 to 2020 or later (spore the Adjusted Annual Wage Amount as follows: 1							-0- <u>\$ 52,000</u> <u>\$ -0-</u> <u>\$ -0-</u> <u>\$ -0-</u> <u>\$ 52,000</u> <u>\$</u>		
If the e	mpl 1j 1k 1l	Enter the numb Multiply line 1 to Subtract line 1 k Wage Amount	er of allowanc by \$4,200 from line 1c. I	es claimed on th f zero or less, er	ne employee's m nter-0 This is t	nost recent Form	1 W-4	1k	

Keep for Your Records

Withholding example for automated payroll systems (cont'd)

p 2. Figure the Tentative Withholding Amount

based on the employee's Adjusted Annual Wage Amount; filing status (Step 1(c) of the 2020 Form W-4) or marital status (line 3 of Form W-4 from before 2020); and whether the box in Step 2 of 2020 Form W-4 is checked. Note. Don't use the Head of Household table if the Form W-4 is from before 2020.

	Enter the employee's Adjusted Annual Wage Amount from line 1i or 1I above	2a	\$	52,000.00
2ь	Find the row in the appropriate Annual Percentage Method table in which the amount on line 2a 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	2ь	\$	51,675.00
2c	Enter the amount from column C of that row		\$	4,543.00
2d	Enter the percentage from column D of that row	2d	_	22 %
2e	Subtract line 2b from line 2a		\$	325.00
2f	Multiply the amount on line 2e by the percentage on line 2d	21	s	71.50
2g	Add line 2c and line 2f	2g	\$	4614.50
2h	Divide the amount on line 2g by the number of pay periods on line 1b. This is the Tentative Withholding Amount	2h	\$	177.48

Percentage Method Tables for Automated Payroll Systems

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

	he Form W-	4 is from befo	ng Rate Sched re 2020, or if the of Form W-4 is I	Form W-4 is from	Form W-4, Step 2, Checkbox, Withholding Rate Schedules (Use these if the Form W-4 is from 2020 or later and the box in Step 2 of Form W-4 IS checked)						
If the Adjuste Wage Amoun		The tentative amount to	Plus this	of the amount that the Adjusted	If the Adjust Wage Amou is:		The tentative	Plus this	of the amount that the Adjusted		
At least-	But less than—	withhold is:	percentage	Annual Wage exceeds	At least-	But less than—	withhold is:	percentage	Annual Wage exceeds		
A .	в	с	D	E	A	в	с	D	E		
		Married Filin			Married Filing Jointly						
50	\$11,800		0%	50		\$12,200	\$0.00	0%			
\$11,800	\$31,200	\$0.00	10%	\$11,800	\$12,200	\$21,900	\$0.00	10%	\$12,200		
\$31,200	\$90,750	\$1,940.00	12%	\$31,200		\$51,675	\$970.00	12%			
\$90,750	\$180,200	\$9,086.00	22%	\$90,750	\$51,675	\$96,400	\$4,543.00	22%			
\$180,200	\$333,250	\$28,765.00	24%	\$180,200	\$96,400	\$172,925	\$14,382.50	24%	\$96,400		
\$333.250	\$420,000	\$65,497.00	32%	\$333.250	\$172,925	\$216,300	\$32,748.50	32%	\$172,925		
\$420.000	\$624,150	\$93,257.00	35%	\$420,000	\$216,300	\$318,375	\$46.628.50	35%	\$216,300		
\$624,150		\$164,709.50	37%	\$624,150	\$318,375		\$82,354.75	37%	\$318,375		

Withholding example for automated payroll systems (cont'd)

Step 3. Account for tax credits

 3a
 1
 the employee's Form W-4 is from 2020, enter the amount from Step 3 of that form; otherwise enter -0 3a
 5
 -0

 3b
 Divide the amount on line 3a by the number of pay periods on line 1b
 3b
 3c
 5
 -0

 3c
 Subtract line 3b from line 2h. If zero or less, enter -0 3c
 \$
 177.48

 3a
 Enter the additional amount to withhold
 4a
 Enter the additional amount to withhold from the employee's Form W-4 (Step 4(c) of the 2020 form or line 6 on earlier forms)
 4a
 \$
 -0

 4b
 Add lines 3; and 4a. This is the amount to withhold from the employee's wages this pay period
 4b
 \$
 77.48



Polling Question

In the previous example, Sophie completed Step 2 of her Form W-4. Why would she complete Step 2 of the 2020 Form W-4 and what is the effect on her withholding?

- a. Because she has a dependent and this will reduce her withholding.
- b. Because she is married filing jointly and has a spouse who works. This will result in higher withholding.
- C. Because she wants a specified extra amount withheld from each paycheck.
- d. Because it was mandatory to complete.



Withholding example for manual payroll systems using the Wage Bracket Method

- Logan is a new employee who submitted a 2020 Form W-4 when he was hired.
- In Step 1 of his Form W-4, he selected "Head of household" as his filing status.
- Step 2 was not applicable to Logan.
- Logan completed Step 3 and the total for Step 3 was \$2,000.
- Logan did not complete Step 4.
- Logan's wages are \$1,500 weekly.



Withholding example for manual payroll systems using the Wage Bracket Method (cont'd)

Worksheet 2. Employer's Withholding Worksheet for Wage Bracket 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

ble 4	Monthly	Semimonthly	Biweekly	Weekly	Daily	
	12	24	26	52	260	

Table 4 Monthly Sen 12 12 12 Step 1. Adjust the employee's wage amount 12

1a	Enter the employee's total taxable wages this payroll period	1a	s	1,500	
1b	Enter the number of pay periods you have per year (see Table 4)	1b	_	52	
1c	Enter the amount from Step 4(a) of the employee's Form W-4	1c	s	-0-	
1d	Divide the amount on line 1c by the number of pay periods on line 1b	1d	s	-0-	
1e	Add lines 1a and 1d	1e	s	1,500	
1f	Enter the amount from Step 4(b) of the employee's Form W-4	1f	s	-0-	
1g	Divide the amount on line 1f by the number of pay periods on line 1b	1g	s	-0-	
1h	Subtract line 1g from line 1e. If zero or less, enter -0 This is the Adjusted Wage Amount	1h	s	1,500	



Withholding example for manual payroll systems using the Wage Bracket Method (cont'd)

Step 2. Figure the Tentative Withholding Amount

2020 Wage Bracket 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.

L				WEEKL	r Payroll Pen	oa			
I	If the Adjusted Wage Amount (line 1h) is		Married Filing Jointly		Head of	f Household	Single		
ŀ				Form W-4, Step 2,		Form W-4, Step 2,		Form W-4, Step 2,	
I			Standard	Checkbox	Standard	Checkbox	Standard	Checkbox	
I		But less	withholding	withholding	withholding	withholding	withholding	withholding	
L	At least	than		The amount of income tax withheld shall be:					
I	\$1,490	\$1,500	\$116	\$198	\$144	\$247	\$198	\$275	
I	\$1,500	\$1,510	\$117	\$200	\$147	\$249	\$200	\$277	
I	\$1,510	\$1,520	\$118	\$202	\$149	\$252	\$202	\$279	
I	\$1,520	\$1,530	\$119	\$204	\$151	\$254	\$204	\$282	
l	\$1,530	\$1,540	\$120	\$206	\$153	\$256	\$206	\$284	

WEEKLY Payroll Period

Withholding example for manual payroll systems using the Wage Bracket Method (cont'd)

Step 3.	3a 3b	ount for tax credits Enter the amount from Step 3 of the employee's Form W-4 Divide the amount on line 3a by the number of pay periods on line 1b Subtract line 3b from line 2a. If zero or less, enter -0-	3Ь	\$ \$ \$	2,000.00 38.46 108.54
Step 4.	4a	ure the final amount to withhold Enter the additional amount to withhold from Step 4(c) of the employee's Form W-4 Add (lnes 3 cand 4a. This is the amount to withhold from the employee's wages this pay period		s	-0- 108.54
1005					

IRS.gov Resources

- About Form W-4 Page
- Tax Withholding Estimator
- Pub 505, Tax Withholding and Estimated Tax
- Pub 15-T, Federal Income Tax Withholding Methods
- Pub 15 (Circular E), Employer's Tax Guide



Key Points

- No longer uses allowances which have been tied to the amount of the personal exemptions.
- The Form is now divided into 5 Steps.
- Steps 1 & 5 must be completed to be valid
- Only newly hired employees in 2020 or any employee hired prior to 2020 who wish to adjust their withholding in 2020 must use the redesigned form.



Key Points

- There are five worksheets in Publication 15-T.
- Publication 15-T includes separate computations based on the method of withholding (Percentage or Wage Bracket Method), Payroll system (automated or manual); and Whether the Form W-4 is a 2020 form or a prior year form.





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Certificates & Continuing Education

- Certificates of Completion will be emailed within the next few weeks.
- If you are eligible for Continuing Education from the IRS, the credit will be posted in your PTIN account.
- If you have not received your certificate and/or credit by November 12th, please email us:

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