


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

 **IRS** Communications & Liaison Division

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**Welcome to Today's IRS Webinar**

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

Moderator



Scott Mezistrano,  
Senior National Account Manager  
IRS

October 22, 2019

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## Welcome to Today's IRS Webinar

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



Wendy Jing,  
IRS Tax Forms and  
Publications



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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

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## 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.

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## 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.

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## Review of new Form W-4 – Step 1

### Basic Personal Information

Form W-4 Employee's Withholding Certificate		2020
<p>Complete this form if you are an employee or self-employed individual who has a federal income tax liability. It is used by your employer to determine the amount of federal income tax to withhold from your pay. It is also used by the IRS to determine the amount of federal income tax to refund to you.</p>		
Step 1: Basic Personal Information	<input type="checkbox"/> I am married or remarried <input type="checkbox"/> I am single <input type="checkbox"/> I am divorced or widowed <input type="checkbox"/> I am a head of household	<p>Check all that apply. If you are married, you must file a joint return with your spouse. If you are divorced or widowed, you must file a separate return.</p>
	<p>Number of dependents: _____</p>	<p>Check all that apply. If you are married, you must file a joint return with your spouse. If you are divorced or widowed, you must file a separate return.</p>

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## Review of new Form W-4 – Step 2

### Multiple Jobs

Complete Steps 2 through 4 (W-4) if this applies to you. If you are an employee, your employer will use this information to determine the amount of federal income tax to withhold from your pay. If you are self-employed, you will use this information to determine the amount of federal income tax to withhold from your payments.

**Step 2: Multiple Jobs or Income from Sources Other Than Wages**

Complete this step if you: (1) have more than one job, or (2) are married filing jointly and your spouse has more than one job. The amount of federal income tax withheld from all of these jobs.

Do any one of the following:

(a) Use the estimated annual pay (W-2) for each source of income, or

(b) Use the Allowance Method on page 2 of this form (see Step 3) even though you are not filing a joint return with your spouse. To do this, use the Form W-4 from the employer for each job with similar pay schedule. More than one W-4 may be withheld.

Check all that apply. If you are married, you must file a joint return with your spouse. If you are divorced or widowed, you must file a separate return.

Complete Steps 2 through 4 (W-4) for every one of these jobs. Leave the rest blank for the other jobs. Your employer will use this information to determine the amount of federal income tax to withhold from your pay. If you are self-employed, you will use this information to determine the amount of federal income tax to withhold from your payments.

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## 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

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## 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.

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## 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.

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## 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.

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### 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

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## Review of new Form W-4 – Step 3

### Dependents

Step 3:	If your income will be \$20,000 or less (\$40,000 or less if married filing jointly)
Claim Dependents	Multiply the number of qualifying children under age 17 by \$2,000 ▶ 3
	Multiply the number of other dependents by \$1,000 . . . . . ▶ 3
	Write the amounts above and enter the total here . . . . . ▶ 3

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### Review of new Form W-4 – Step 3 (cont'd)

#### 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.

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### Review of new Form W-4 – Step 4

#### Adjustments

Other income	If you have other income that is not reported to you by the payer, you should enter it here. This includes interest, dividends, capital gains, rental income, and other income.	4
Deductions	If you expect to claim deductions other than the standard deduction, you should enter the amount of those deductions here. See the instructions for details on page 2 and 3 of the form.	5
Other withholding	Enter any additional tax you want withheld each pay period.	6

Allows employees to make other adjustments to their withholding.

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

#### Step 4(a)

- Allows employees to have income tax withheld for other income that normally doesn't have withholding, such as certain investment income and retirement income.

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

**Step 4(b)**

- Allows employees to have their employers reduce withholding for itemized deductions (less the standard deduction) and/or adjustments to income (from Form 1040 Schedule 1).
- Employees complete the Deductions Worksheet on page 3 and enter the result in Step 4b.

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

**Step 4(c)**

- Allows employees to have their employers increase withholding per pay period.
- This is like line 6 on the 2019 Form W-4.

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**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.

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### 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).

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### 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.

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### 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

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**Review of new Form W-4 – Step 5**

**Signature**

**Step 5:** Under penalties of perjury, I declare that the information furnished herein is true and correct, and complete.

**Sign Here**

Employee's signature (this form is not valid unless you sign it) \_\_\_\_\_ Date \_\_\_\_\_

<b>Employer's Only</b>	Employee's name and address	First date of employment	Employer identification number (EIN)
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For Privacy Act and Paperwork Reduction Act Notice, see page 3. © 2020 IRS Form W-4 (2020)

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**Review of new Form W-4 – Step 5**

**Signature**

- The signature area includes the penalties of perjury statement.
- Everyone must complete Step 5 or the Form W-4 isn't valid and the employer will apply the default withholding rule.

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**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.

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**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.

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**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.

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**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.

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### 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?

- a. 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.

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### Publication 15-T



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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.

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### 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.

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### Withholding example for automated payroll systems (cont'd)

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

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### Withholding example for automated payroll systems (cont'd)

**Worksheet 1. Employer's Withholding Worksheet for Percentage Method Tables for Automated Payroll Systems** Keep for Your Records

Note: This worksheet uses the 2020 percentage method look lines by using the 2020 tax provisions. There would be tax rate provisions for both the 2019 and 2020 rates 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 new Form W-4.

Table 1	Seasonally	Quarterly	Monthly	Biweekly	Weekly	Daily
	2	4	12	26	52	260

**Step 1. Adjust the employee's wage amount**

1a Enter the employee's total taxable wages for the payroll period \$ 2,000

1b Enter the number of pay periods you have per year (see Table 2) 26

1c Multiply the amount on line 1a by the number on line 1b \$ 52,000

**If the employee HAS submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:**

1d Enter the amount from Step 4(b) of the employee's Form W-4 \$ -

1e Add line 1c and 1d \$ 52,000

1f Enter the amount from Step 4(b) of the employee's Form W-4 \$ -

1g Enter line 1e on Step 2 of Form W-4 to determine whether the employee is subject to withholding. If the law is not published, enter \$12,000 if the employee is not subject to withholding \$ -

1h Add line 1f and 1g \$ -

1i Subtract line 1h from line 1e. If zero or less, enter 0. This is the Adjusted Annual Wage Amount \$ 52,000

**If the employee HAS NOT submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:**

1j Enter the number of allowances claimed on the employee's most recent Form W-4 0

1k Multiply line 1j by \$4,000 \$ 0

1l Subtract line 1k from line 1c. If zero or less, enter 0. This is the Adjusted Annual Wage Amount \$ 52,000

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**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.

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

**Worksheet 3. Employer's Withholding Worksheet for Wage Bracket Method Tables for Manual Payroll Systems With Forms W-4 From 2020 or Later** Group-Ex Plan Worksheet

Note: This document uses the 2020 guidance and will apply along with 2020 tax returns.

Form 4	Married	Married/Qualifying	Married	Married	Single
	13	14	15	16	18

**Step 1. Adjust the employee's wage amount**

a) Enter the employee's annual wage amount	1a	\$ 1,800
b) Enter the number of pay periods per year (see Table B)	1b	5.2
c) Divide the amount from step 1(a) by the number in step 1(b)	1c	\$ 346
d) Round the amount in line 1(c) to the nearest whole dollar (see 101)	1d	\$ 346
e) Add lines 1c and 1d	1e	\$ 692
f) Enter the amount from step 1(e) plus any amount from Form 4	1f	\$ 692
g) Round the amount in line 1(f) to the nearest whole dollar (see 101)	1g	\$ 692
h) Subtract any amount from line 1(g) for any other tax amounts	1h	\$ 692
i) Subtract any amount from line 1(h) for any other tax amounts	1i	\$ 692
<b>Total</b>		<b>\$ 692</b>

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

**Step 2. Figure the Taxable Withholding Amount**

Use the amount on line 1(h) to look up the correct amount to withhold in the appropriate Wage Bracket Table in this section for your pay frequency, your employee's filing status and whether the employee has selected the line in Step 2 of Form W-4. This is the Taxable Withholding Amount.

**2020 Wage Bracket Method Tables for Manual Payroll Systems With Forms W-4 From 2020 or Later**

Note: This document uses the 2020 guidance and will apply along with the 2020 tax returns.

**APPLICABLE PAYROLL PERIOD**

Line 1(h) Amount (See 101)	Filing Status	Married Filing Jointly		Head of Household		Single	
		Provisional withholding	Childless withholding	Provisional withholding	Childless withholding	Provisional withholding	Childless withholding
		The amount of income tax withheld must be:					
\$1,800 - \$1,800	215+	\$750	\$750	\$750	\$750	\$750	\$750
\$1,800 - \$1,800	215+	\$750	\$750	\$750	\$750	\$750	\$750
\$1,800 - \$1,800	215+	\$750	\$750	\$750	\$750	\$750	\$750
\$1,800 - \$1,800	215+	\$750	\$750	\$750	\$750	\$750	\$750
\$1,800 - \$1,800	215+	\$750	\$750	\$750	\$750	\$750	\$750

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

<b>Step 2. Amount for tax withheld</b>			
21. Enter the amount from Step 1 of the employee's Form W-4	2a	\$	2,000.00
22. Enter the amount on line 2a by the number of pay periods in Step 1	2b	\$	38.40
23. Subtract 2b from 2a. If you are using the 401	2c	\$	1,961.60
<b>Step 4. Figure the total amount for tax withheld</b>			
41. Enter the additional amount withheld from Step 4(c) of the employee's Form W-4	4a	\$	0
42. Add line 2c and 4a. This is the amount for tax withheld from the employee's wages for the pay period	4b	\$	1,961.60

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**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

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**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.

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### 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 12<sup>th</sup>, please email us:  
[CL.SL.Web.Conference.Team@IRS.gov](mailto:CL.SL.Web.Conference.Team@IRS.gov)

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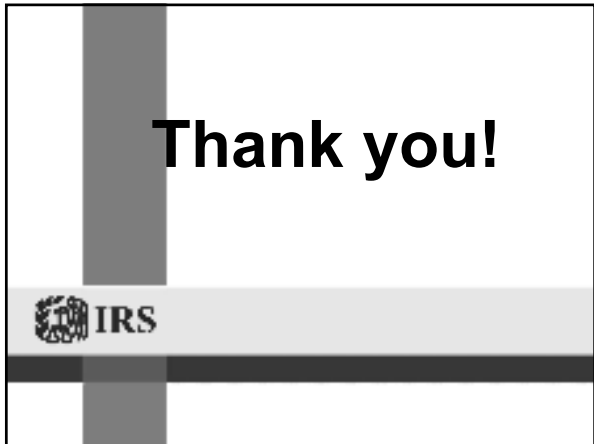
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