

TRANSCRIPT

Welcome to today's webinar, Understanding the 2020 Form W-4 and How to Use it to Compute Withholding. We're glad you're joining us today. My name is Earline Brown and I am a Stakeholder Liaison with the Internal Revenue Service and I will be your host for today's webinar which is slated for 60 minutes. Before we begin, if there is anyone in the audience that is with the media, please send an email message to the address listed at the bottom of this slide. Be sure to include your contact information and the news publication you're with. Our media relations and Stakeholder Liaison staff will assist you and answer any questions you may have. As a reminder, this webinar will be recorded and posted to the IRS Video Portal in a few weeks. This portal is located at www.irsvideos.gov. Please note Continuing Education credit or Certificates of Completion are not offered if you view an archived version of our webinars on the IRS Video Portal. In case you experience a technology issue, this slide shows helpful tips and reminders.

We've posted a technical help document you can download from the, Materials, button on the left side of your screen and it provides the minimum system requirements for viewing this webinar along with some best practices and quick solutions. If you've completed and passed your system check and you're still having problems, try one of the following. The first option is to close the screen where you're viewing the webinar and relaunch it. And the second option is to click on the Gear icon. Now, some of you may not see the Gear icon, it depends on your web browser. If you have it, the Gear icon will be in the top right corner of the slide in photo boxes. You will be given two choices, select Flash instead of HLS from the available media box. You should have received today's PowerPoint, a draft copy of the 2020 Form W-4, and a draft copy of Publication 15-T in a reminder email. The presenters will be going over how to complete the 2020 Form W-4 and they will work through some of examples using the worksheets in Publication 15-T. This is a good time to ensure you have the 2020 Form W-4 and the Pub 15-T handy. Please note, an updated copy of the PDF is available for download. If you do not have the material, no problem, you can download it by clicking on the materials button located on the left side of your screen as shown on this slide. Closed captioning is available for today's presentation. If you're having trouble hearing the audio through your computer speakers, please click the CC button on the left side of your screen. This feature will be available throughout the webinar. During the presentation, we'll take a few breaks to share knowledge-based questions with you. At those times, a polling style feature will pop-up on your screen with the question and multiple-choice answers. Select the response you believe is correct by clicking on the radio button next to your selection and then clicking submit. Some people may not get the polling question. This may be because you have your pop-up blocker on. So, please, take a moment to disable your pop-up blocker now so you can answer the questions. If you have a topic-specific question today, please submit it by clicking the Ask Question button. Enter your question in the text box and click Submit. Please, do not enter any sensitive taxpayer-specific information or ask questions about specific situations. We cannot provide guidance for individual situations in this forum.

Moving along with our session, let me introduce today's moderator. Scott Mezistrano, is a Senior National Account Manager in the Wage and Investment Division. Scott, it's all yours.

Scott Mezistrano: Thank you, Earline. Hello, everyone. It's my honor to be your facilitator for today's webinar, Understanding the 2020 Form W-4 and How to Use it to Compute Withholding.

I'm happy to introduce today's presenters. From IRS' Office of Tax Forms and Publications, we have Tax Law Specialists Wendy Jing and Diane McGowen. And our guest presenter is from the American Payroll Association, Alice Jacobsohn, Esquire is the APA Senior Manager of Government Relations. Our panel has a wealth of information to share with you today. So, let's review today's agenda. We will cover the reason for new a design of the W-4; walk through each of the five steps on the new form; explain who is required to use the new 2020 form and discuss Publication 15-T and show you how to complete two of the five available worksheets, and then we'll answer any questions you may have. Diane will get us started with the background of this change. Diane McGowen: Thank you, Scott. The Tax Cuts and Jobs Act or tax reform if you prefer become law in December of 2017. And most of the law changes for wage withholding were effective almost immediately in 2018. You may recall hearing a lot about these changes last year. Well, the first thing we had to do after tax reform passed was to update forms, instructions and publications related to withholding and estimated tax for the tax reform changes. We issued the 2018 Form W-4 very soon after enactment of the new law. It included the most critical changes necessary to follow the law. We were working on making more significant changes for 2019, but after receiving feedback, we realized it would take too long to update payroll systems to make all the necessary changes at once. So, we waited to make the changes until the 2020 tax year Form W-4. We collected extensive feedback while working closely with the payroll and tax community to develop a redesign that best serves taxpayers. The primary goals of the new design are to provide simplicity,

accuracy and privacy for employees while minimizing the burden for employers and payroll process. Even though employees don't have to give employers and updated Form W-4 just because of the new design, we strongly encourage employees to consider completing an updated Form W-4 for two reasons. First, the withholding from the revised form will be more accurate. And second, due to the changes from tax reform and after the first 1040 filings after tax reform, we're continuing to encourage everyone to do a paycheck checkup to make sure that they're still withholding the right amount for their situation. Let's turn to the visual changes to the new form. First, it's now a full page.

Instructions, worksheets and tables are on the following pages. Unlike the old form where there's not enough the form itself was only a sliver at the bottom of the page, and now, there's no longer withholding allowances, which is why the title of the form changed to Employee Withholding Certificate. The form has Steps 1 through 5 to guide employees through the form.

We'll go through each of the steps in the next few slides. Let's start at the top with Step 1.

Step 1 is for employees to enter their basic personal information such as name, address, Social Security number and expected filing status. Everyone completes Step 1. One difference from prior forms is the expected filing status. The new form changes Single to Single or Married Filing Separately and includes Head of Household. The form no longer has Married but withhold at higher Single rate. We'll talk about that later. Before we get to Step 2, take a look at the area between Step 1 and Step 2 which you can see in this little snapshot of part of the form. This area helps employees go through the rest of the form. It tells employees to complete Steps 2 through 4 only if they apply. It also gives them directions on where employees can look for help with exemption from withholding and for privacy concerns. It also reinforces that all employees must complete Step 5. Now, let's move to Step 2. Step 2 is for employees who hold down more than one job at the same time or are married and their spouse also works.

This Step is necessary to make sure that they have enough withholding. Tax rates increases as income rises and the employee or employee and spouse can claim only one standard deduction on their tax return regardless of the number of jobs they hold. Without an adjustment on the W-4, withholding takes into account the full standard deduction for each job and doesn't take into account the higher income for more than one job, therefore, if the employee has more than one job at a time or is Married Filing Jointly and the employee's spouse works, more money should be, should usually be withheld from the total pay of all the jobs together than would be withheld if each job was considered by itself. How can an employee do this? There are three different options employees can choose from in Step 2 to make the necessary withholding adjustment.

Employees should select only one of the three options to ensure enough withholding. The option they select depends in large part on the number of jobs they employees and spouses if applicable hold and the complexity of their tax situation. Let's go through the three options. Option 1, this is to use the Tax Withholding Estimator on IRS.gov. This is Step 2a on the form. This option gives the employee the most accuracy and privacy and avoids revealing to the employer that employee and/or spouse if Married Filing Jointly has multiple jobs. The employee will need to know the approximate amount of pay for each job when using the Estimator.

The Estimator will give the employee an additional amount of withholding to enter on Step 4(c)

for one of the jobs. If employees don't have access to the online estimator but wish to have reasonably accurate withholding while keeping their privacy, employees can select to use option 2, Step 2(b) on the form. Employees complete the multiple jobs worksheet on page three using the tables on page four of the form to calculate an amount of additional withholding to enter on Step 4(c) of the Form W-4 for only one of the jobs. As with option 1, employees will need to know the approximate amount of pay for each job. If the employees or employee and spouse hold just two jobs at the same time, they can use option 3. They check the box in Step 2(c) on each of their forms W-4 for their both jobs. Employers will then apply special withholding tables with lower thresholds for each tax bracket to figure withholding for each of the two jobs. This will increase withholding for each job. This option is a bit less accurate than the others.

More tax than necessary may be withheld from the employee's wages, but they generally won't have too little tax withheld. And the closer together their earnings are at the two jobs, the more accurate this option will be. It's also the easiest option to use. Employees and spouses just if applicable, just check the box on forms W-4 for both jobs. It gives married employees with a working spouse similar withholding to checking the old Married but withhold at higher Single rate box on the prior forms W-4. However, on the new form, this option isn't tied to marital or filing status so it's

available to Single or Head of Household filers with two jobs. Scott, I'll hand it over to you for our first polling question. Scott Mezistrano: Thanks, Diane. You and your colleagues have done a lot of work to support the new law and help taxpayers have correct withholding under the new framework. OK audience, our first polling question is, In Step 2 how many of the three available options may employees take? Is the correct response, A, only one of the three options. B, two of the three options, C, all three of the options, or D, can choose to take none of the options? Please click on the radio button you believe best answers this question. And I'll give you just a few more seconds to make your selection. OK. We're going to stop the polling now and we'll share the correct on the next slide. So our question was in Step 2 how many of the three available options may employees take? The correct response is A, only one of the three options. In Step 2, employee should select only one of the three options to ensure enough withholding. And I'm looking to see if we have the percentage response rate. Looks like 81 percent. So that's a pretty good response rate. But I'm wondering if maybe, Diane, you can reinforce this concept a little bit for us. Diane McGowen: Yes, Scott.

You only choose one of the three options because if you select more than one you'll have even more withholding taken out. So, if you use the estimator to do your W-4, you won't need to do any of the other options. If you decide to use the worksheet, like option 2, then you don't need to use the Estimator or you won't want to check box in 2(c) and if you check the box in 2(c)

solely because of your the two jobs situation, then you won't need to use the Estimator or fill out the, the worksheet. I hope that helps. Scott Mezistrano: Thanks so much Diane for reviewing that. And Alice will now take us through more of the steps of the Form W-4. Alice Alice Jacobsohn: Thank you, Scott. Now that employees have identified their filing status and job income, they can make further adjustments to their withholding using Steps 3 and 4. Step 3 allows employees to adjust their taxes by claiming a credit for dependents. Employees should pay attention to the definitions for the child tax credit and other dependents. First, on the 2020 Form W-4, these only apply to those with \$200,000 or less in the income if their filing status is Single or \$400,000 or less if filing Married Jointly. The child credit only applies to children who under age 17 and who generally live with the employee for at least half a year.

You can find more details on these credits in IRS Publication 972, which is titled Child Tax Credit. As part of the total amount in Step 3, employees may include estimates of other tax credits, such as education. Rather than increasing withholding allowances, which is the approach used prior in prior Forms W-4, on the 2020 form these credits will directly offset the amount of withholding. In addition, the calculation for dependent credits is made directly on the face of the form. Step 4 allows employees to make adjustments to their withholding for additional income, deductions and extra withholding. This step is also where employees identify that they are non-resident alien or that they can claim exempt from withholding. Let's take a look at each of the adjustment types. So in Step 4(a), employees enter other estimated annual income such as certain investment and retirement income. This is really important. Employees should not put any withholding amount from jobs here. If employees estimate self-employment income here, the employer will only be able to withhold amounts for income tax. Step 4(a) won't cover withholding for Social Security and Medicare taxes. If employees have self-employment income, they can use the IRS's Tax Withholding Estimator to identify the Social Security and Medicare taxes as well as income taxes from the self-employment. As a reminder, if employees are concerned about their privacy, they may also check the box in Step 2(c) to have additional amounts withheld for other income they may otherwise want to include in Step 4(a), for the most accuracy and privacy employees can use the estimator. Employees can adjust their withholding for itemized deductions less the standard deductions and/or other adjustments to income such as student loan interest or deductible IRA contributions by entering an annual amount in Step 4(b).

These amounts are determined by completing the deductions worksheet on page three of the form instruction. Step 4(c) is for extra withholding and allows employees to specify an additional amount of tax per pay period for their employer to withhold. This is similar to line six on the 2019 Form W-4. If employees use the Tax Withholding Estimator to help them complete their 2020 Form W-4, they'll enter the amount the estimator provides in Step 4(c). In addition, if employees use the second option in Step 2(b) for multiple jobs, they will enter the amount from line four of the multiple jobs worksheet on page three in Step 4(c) along with any other additional withholding they may want to include. Or if employees just want additional withholding, they can enter that amount here in Step 4(c). In the space below Step 4(c), employees designate their non-resident alien status by writing in capital letters NRA or designating that they are exempt from withholding by writing the word Exempt. This is not new for non-resident aliens to designate their status if they are subject to the special withholding rules in IRS Notice 1392 titled Supplemental Form W-4 Instructions for Non-resident Aliens.

However, it is a change for employees who are eligible to claim exempt from withholding. The IRS changed the form so that designating exempt would be similar to designating NRA. Please note that steps 3 and 4 are not required.

They allow employees to make further adjustments to their withholding if they want to. However, employees who are non-resident aliens or who are eligible to have no withholding should use the space below Step 4(c). Remember, if an employee has more than one job or is using the filing status of Married Filing Jointly, and the spouse works, the best way to complete the form is by placing adjustments in Steps 3 and 4 for the highest paying job. Then they can make adjustments based on the highest tax rates. Scott, I think we have another polling question. Scott Mezistrano: Thank you, Alice. You covered a lot of options that will be important for employees to consider. OK audience are you ready. Here is our second polling question. Carolyn and her spouse each have one job. Carolyn's annual wages are \$80,000 and her spouse has annual wages of \$65,000. They have two dependents. Which steps should Carolyn complete on her Form W-4 to ensure the most accurate withholding? Is the correct response, A, Steps 1, 2 and 5; B, Steps 1, 3 and 5; C, Steps 1 and 5 or D, Steps 1 through 5. You know how this goes. Click on the radio button you believe best answers the question. And I'll give you just a few more seconds to make your selection. OK. We're going to stop the polling now. And we'll share the correct answer on the next slide. So our question was Carolyn and her spouse each have one job. Carolyn's annual wages are \$80,000 and her spouse's annual wages of \$65,000.

They have two dependents. Which steps should Carolyn complete on her Form W-4 to ensure the most accurate withholding? And the correct response is D, Steps 1 through 5. For the most accurate withholding, Carolyn should complete all of the steps on her Form W-4 since she has the higher paying job. And I see that 58 percent of you responded correctly. So, you know, it's a complex topic and I know there's a lot to learn here, so, um, you know Alice, do you want to reinforce any concept here or maybe clear anything up for us? Alice Jacobsohn: Sure. So, you'll notice that the answer in Step, for ah, C, says Steps 1 and 5. Steps 1 and 5 are absolutely required. Step 1 requires the personal information and with such as the employee's address and also their filing status. And Step 5 is where they place their signature. But in this particular case you're talking about multiple jobs where the employee has the highest income and also two dependents. And that means that they're going to need to complete one of the options in Step 2 for multiple jobs. In Step 3 to claim those two dependents, in Step 4 to look at other adjustments or if they want to use that for privacy concerns. So hopefully, this is a little bit different than what most people are used to in the past forms. So hopefully within a short period of time, people will employees will get an understanding of that. Back to you, Scott. Scott Mezistrano: Thanks Alice, for clearing that up. And Diane will now take us through the final step of the form. Diane Diane McGowen: Thanks, Scott. Step 5 is the final step where the employee signs the form. This step also has the employer's only section, used mostly for new hire submissions to the state directory of new hires. This part of the form is a lot like the old 2019 Form W-4. Along with Step 1, every employee must complete Step 5. Form W-4 is invalid without a signature under penalties of perjury. If the employee doesn't sign the form, the employer will apply the default withholding. Now, we've gone from Step 1 through Step 5 of the 2020 Form W-4. Scott, I'll turn it over to you to go through some popular questions we've received from the public about the new Form W-4. Scott Mezistrano: Thanks, Diane. Alice, this is perhaps the most popular question from employers. Must every employee submit a 2020 Form W-4? Alice Jacobsohn: You're right, Scott. This is a question that we've received many times regarding the newly designed form. And the answer is, no. If employees already submitted Forms W-4 before 2020 and their tax situation hasn't changed, they're not required to submit a new form. Employers will continue to use the information from employees' most recent Form W-4 to figure income tax withholding. However, keep in mind that all new employees hired in 2020 and thereafter must complete the new form and if any employees have adjustments to their withholding, they must use the new form and not adjust a past form. Scott Scott Mezistrano: Thank you, Alice. Thank you. The next most popular question is, may I require all of my employees to submit a 2020 Form W-4? Diane, can you answer and elaborate on this question for us? Diane McGowen: Sure, Scott. Well, the short answer is, no, but you may ask your employees hired before 2020 to submit the new redesigned Form W-4, but you have to explain to them that they aren't required to do so. And if they don't submit a new Form W-4, their withholding will continue based on a valid W-4 that they previously submitted. Scott Mezistrano: Thanks, Diane.

Alice, here's one for you. What happens if a new employee hired in 2020 doesn't submit a 2020 Form W-4? Alice Jacobsohn: In absence of a valid 2020 Form W-4, the employer must withhold using the default withholding rule, which says that the employer will treat the employee under the Single filing status and make no other adjustments. Scott Mezistrano: Got it, Alice. Our last question is how do I figure 2020 federal income tax withholding? Diane, can you provide some input on this question for us? Diane McGowen: Surely, Scott. The way employers will figure federal income tax withholding for the 2020 Form W-4 is changing to match the changes to the new form. Since the new form has no withholding allowance adjustment, the calculations are based on dollar amounts shown on the form. Starting in 2020, the IRS will release the new Publication 15-T, which includes the federal income tax withholding methods and table. Since employers will also have to withhold based on existing Forms W-4, the computations in Pub 15-T will allow employers to figure withholding regardless of whether the employee has a Form W-4 from an earlier year or provides a new 2020 Form W-4. Publication 15-T also allows employers to figure withholding based on their payroll system, automated or manual and their withholding method of choice. Before we get into the details of understanding withholding using the new Pub 15-T, Scott has another polling question. Scott Scott Mezistrano: Thanks, Diane. Yep,

it's time for our third polling question. May an employer require all of its employees with the Form W-4 from before 2020 to submit a new 2020 Form W-4. Is the correct response, 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 or D, it is not required. I'll give you just a few more seconds to make your selection. OK. We'll stop the polling now and we'll share the correct answer on the next slide. So our question was may an employer require all of its employees with a Form W-4 from before 2020 to submit a new 2020 Form W-4. And the correct response is D, no. It is not required that employees provide all employees provide that new W-4, so an employer may not require it. While you may ask your employees hired before 2020 to submit new Form W-4 using the redesigned version of the form, you should explain to them that, one, they aren't required to do this and two, if they don't submit a new Form W-4, withholding will continue based on a valid Form W-4 that was previously submitted. And I see that 98 percent of you responded correctly and that's a terrific correct response rate. So let's continue. We just mentioned Publication 15-T while answering one of the popular questions, it's titled, Federal Income Tax Withholding Methods, and it will be released for 2020. An early release second draft of this pub was issued in early August, but remember, that that is not the final version, and that it uses 2019 dollar amounts on the worksheets and table. The final version will be released in December. Wendy will now walk us through this new pub and share some examples. Wendy Jing: Thank you Scott. Good afternoon everyone. Today, I'm here to talk little bit about Publication 15-T. Pub 15-T includes separate worksheets and tables you can use to compute the tax withholding data, based on what method of withholding you are using, the percentage method or the wage bracket method. What type of payroll system you are using, automated or manual. Last but not least, what type of Form W-4 your employees submitted to you.

Whether the W-4 is from 2020 form or one of the older forms submitted before 2020. I think the best way to explain how to use the worksheets and the tables in Pub 15-T is examples, I'll show you how to complete two of the worksheets and how to use tables to figure the withholding. Both examples are focusing on new 2020 W-4 forms. So here is our first example, first example is for anyone using an Automated Payroll System. Sophie is a new employee, she submitted a 2020 Form W-4 to her employer when she was hired. In Step 1 of her Form W-4, she selected Married Filing Jointly as her filing status and she also checked the box in Step 2 because her spouse works.

Sophie did not complete Steps 3 and 4 because they did not apply to her situation. Sophie was paid \$2,000 every two weeks, so she's on a biweekly payroll period. So here we have Sophie's employer using percentage method for automated payroll systems, worksheet one. This worksheet works for Form W-4 from before 2020 and 2020 or later, this method also works for any amount of wages for any pay period. OK. Let's begin with Step 1 to figure Sophie's adjusted annual wage amount. Sophie was paid \$2,000 per pay period which is every two weeks. We entered \$2,000 on line 1a, then we look at table three, right above, to see there are 26 pay periods in a year for a biweekly pay period. We entered 26 on line 1b. Then we multiply the amount on line 1a by the amount of line 1b, come up with \$52,000 on line 1c. Since Sophie did submit a 2020 Form W-4 while using lines 1d to line 1i to figure the adjusted annual wage amount. In Sophie's case, she did not complete Steps 3 and 4 on her W-4, so we entered zero on line 1d and 1f, as a result, Sophie has an adjusted annual wage amount of \$52,000 added to line 1i. The next step is figure Sophie's tentative withholding amount for each pay period. We will use the percentage method table for Automated Payroll Systems. On line 2a, we enter Sophie's adjusted annual wage amount of \$52,000. Remember, Sophie selected Married Filing Jointly as her filing status and checked the box in line in Step 2 on her W-4. So, we use the table on the right title, Form W-4 Step 2 Checkbox Withholding Rate Schedules, and look under, Married Filing Jointly. The \$52,000 falls between \$51,675 and the \$96,400 line. So we enter amount of \$51,675 from column A on line 2b.

Continue with the information on that line, we enter the amount \$4,543 showing from column C on line 2c. And from column D, we have 22 percent that we enter on line 2d. I hope everyone is following me so far. Next, we subtract line 2b, \$51,675 from 2a, \$52,000 which leaves us with \$325 to enter on line 2e. From here, we multiply \$325 by 22 percent showing on 2d giving us \$71.50 for line 2f. Then we add 2c and 2f which gives us \$4,614.15 and this is Sophie's annual tax withholding for the year. We figure the tentative withholding amount by dividing the annual tax withholding amount by the number of pay periods, which is 26 in Sophie's case. This makes Sophie's tentative withholding amount to be \$177.48 per pay period. Now, since Sophie did not complete Steps 3 and 4 on her W-4, there is no additional credit or deduction, which means Sophie's final withholding amount for each pay period is \$177.48 which we enter on line 4b.

Now, we complete worksheet one. Let's take a moment for another polling question. Scott Scott Mezistrano: Thanks Wendy for walking us through step-by-step through that example. OK audience, this is our last 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? Is it, A, because she has a dependent and this will reduce her withholding. B, because she is married and because she's 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. Or D, because it was mandatory to complete. You know how this works, review the question, then click on the radio button you believe best answers the question. I'll give everyone just a few more seconds to make your selection. OK. We will stop the polling now and we'll share the correct answer on the next slide. So, again, our question was, 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? And the correct response is B. Sophie completed Step 2 because she is Married Filing Jointly and has a spouse who works. This will result in higher withholding.

And we got a 90 percent response rate, correct response rate. So that's wonderful. Let's move on to the next example, Wendy. Wendy Jing: This is next example, the next example is using wage bracket method with manual payroll system. Here is the scenario. Logan is a new employee who started in 2020 and submitted a 2020 Form W-4 to his employer. He selected Head of Household in Step 1 as his filing status, he did not check the box in Step 2 because it does not apply to his situation. Logan completes Step 3 showing a total of \$2,000 but did not complete Step 4. Logan gets paid \$1,500 weekly, therefore he is on a weekly payroll period. Logan's employer uses manual payroll system and uses worksheet two to figure Logan's withholding. We'll begin with Step 1 to figure Logan's adjusted wage amount. Because he did not complete Step 4 on his Form W-4, Logan's weekly pay is his adjusted wage amount, therefore, we put \$1,500 on line 1a, 1e, and 1h. Since Logan is on a weekly payroll period, now we're looking at the Table 4 above Step 1. We can see there are 52 pay periods per year, we enter 52 on line 1b which we're going to use later in this example. Now we move on Step 2 to figure Logan's tentative withholding amount. We use the table titled, 2020 Wage Bracket Method Tables for Manual Payroll System with Forms W-4 from 2020 or Later. Remember, Logan was paid on a weekly basis, so we use the weekly payroll period table. Also, remember Logan selected Head of Household as his filing status and did not check the box in Step 2 on his Form W-4. So we figure his withholding amount by looking at standard withholding column under Head of Household. Because Logan's adjusted wage amount is \$1,500 a week, we follow the line that shows at least \$1,500 but less than \$1,510 to get Logan's tentative withholding amount of \$147 added to line 2a. Now, let's move on to next step, Step 3, Account for tax credits. Since Logan entered a total of \$2,000 on Step 3 of his W-4, we entered \$2,000 on 3a. Remember, Logan was paid weekly basis and in Step 1 we determined there are there were 52 pay periods a year for a weekly payroll period. The current amount for each pay period is \$2,000 divided by 52 which equals \$38.46 that we enter on line 3b. Then we subtract the credit from the tentative withholding amount on line 2a, that is \$147 minus \$38.46, leaving us \$108.54 for line 3c. Now, we are on Step 4 and since Logan did not complete Step 4 on his W-4, there is no additional deduction. So we enter zero on line 4a, that makes Logan's final withholding amount for each pay period to be \$108.54 showing on line 4b. Now this worksheet 2 is complete. I hope these two examples were helpful for you today. There are three more additional worksheets in Pub 15-T for you to use. I encourage you to review the publication thoroughly so it can assist you with your employees' withholding requests. I would now hand it back to Scott.

Scott Mezistrano: Thank you Wendy for the overview of the Publication 15-T. You showed us some very useful examples. Before we open for questions and answers, I want to thank everyone for attending today's presentation, Understanding the 2020 Form W-4 and How to Use it to Compute Withholding. I'd also like to point you to some key resources available on IRS.gov. You can find them by searching on the keywords you see or on the publication number. The about Form W-4 page which has the FAQs that were posted this summer and links to some of the other resources, the Tax Withholding Estimator which is a great interactive tool to make sure that you have the right amount of tax withheld from your paycheck, and Publications 505, 15-T, and 15 are all excellent resources you can tap into for answers to many of your questions. I'm sure there are lots of questions, so let's go to that slide. Wendy, Diane, and Alice will be answering your questions. If you haven't input your question yet, there's still time. Go ahead and click on the Ask Question button, type in your question, and click submit. Now, we won't have time to answer all the questions submitted, but we will answer as many as time allows. By the way, a word about certificates and continuing education credits, you will qualify for one credit by participating for at least 50 minutes, 5-0 minutes from the webinar's official start time which was at the top of the hour. The eight to nine minutes of our chatting before the top of the hour does not count for the 50 minutes. Earline will have some more information on certificates and continuing education credit in a few minutes. OK speakers, I hope you're ready, we have received a lot of questions. Let's start with one for Victor. Here it is. Victor, how do we process an IRS lock in letter as single zero? Victor Aledo: Hi Scott and thank you for that question. I actually saw that many people ask that question. So just for a quick context, Lock in Letter is when the IRS notifies an employer that an employee has been claiming exempt or has had very few withholding during the year. So right now the letter is drafted talking about what allowances.

We will definitely update the letters going forward. We don't have an answer right now on how to process the thing of zero Lock in Letter, but we are taking your questions on our work team to develop guidance so that you have the guidance available starting 2020, and definitely we will update the letter to reflect the new W-4. Thank you, Scott. Scott Mezistrano: Thanks Victor.

And here's one for Diane. So, employees can no longer choose to be exempt from taxes? Diane McGowen: Well, that's not true. You can still choose to be exempt from taxes if you qualify.

The qualifications are stated in the instructions page which is page two of the form. And then if you meet those two criteria, then you can enter Exempt below line 4(c) on the form and sign it. And then you will get exempt from withholding. It's just a new way of doing it. Scott.

Scott Mezistrano: Thank you, Diane, that's great. Thank you so much. And here is one for Wendy. If an employee changes his or her Form W-4 midyear, would they still enter the total number of pay periods or would they enter the remaining number of pay periods in that year?

Wendy Jing: The employee doesn't put the pay period on their W-4. The employer will be calculating the employee's pay period by how often they pay the employee such as if they pay the employee every week, they all calculate by divide by 52 pay period or biweekly so divide by 26 pay period every time they pay them. So the employer will be the one calculating the pay period for the year and for each week each pay period. Scott Mezistrano: OK. Thank you, Wendy. Here's one for Alice. What is an employer's responsibility regarding informing employees about the new form? Alice Jacobsohn: Thanks, Scott. The existing Internal Revenue Code suggest that employers inform their employees about the new form. The word in the Regulations is should inform as opposed to shall or must. So there's no consequences if you don't inform them, but you are likely to get some very angry employees coming into your payroll department if you don't. Scott Mezistrano: Yes. It sounds like it's better to get ahead of that curve. OK. Alice Jacobsohn: Exactly. Scott Mezistrano: I'm going to come back around. We're just going to circulate through. And you know, I forgot to mention that one of the people answering our questions today is Victor Aledo who is IRS' Director of Tax Forms and Publications. So thanks, Victor, for being here. So here is another question for you. In Step 2, here it is, you said option 3 may be the easiest but more taxes than necessary may be taken out. Does that mean that if extra is taken out then they'll get a reimbursement or refund check later? Victor Aledo: So thank you, Scott. So in a nutshell, yes, although the definitive amount that you will get a refund for is dependent on other information that you claim on your tax return. But in general terms, there's a correlation between how much we have withheld during the year and your final tax due or refund.

And generally that checkbox is provided for a taxpayer to check if they don't want to go through the worksheets or the online calculator, and achieve a withholding that's typically more than what they need to cover their taxes. I mean there's no other change outside of the information in the W-4 which is mainly the finance status, then that person should receive a refund at the end of the year. Again, the specifics would depend on if there's other deductions claimed or other sources of income, but in general terms that should result in an overpayment which will be refunded or applied to next year's taxes as requested by the taxpayer in their tax return.

Scott Mezistrano: Perfect. Thanks, Victor. And now one for Diane, Can employees complete Section 1 and then only Line 4c? Diane McGowen: Well, that's almost a trick question, Scott, because we all know that you have to complete Step 1 and Step 5. Those are the must completes.

So once you've got both 1 and 5 you can also complete line 4(c). So you can complete Line 1 or Step 1, Step 4c and then you have to sign it in Step 5. I hope that answers the question. Scott Mezistrano: Thank you. All right. And here's one for Wendy. Some employers may have 27 pay periods in 2020 if they pay bi-weekly, and depending on which day is their payday. So if there are 27 pay periods should that be used in the Publication 15-T calculations? Wendy Jing: If 27 pay periods, is their pay periods to determine the withholding? Yes. Scott Mezistrano: OK, good. And here's one for Alice, If an employer does not notify employees of the new form, is the employer responsible for employees under withholding? Alice Jacobsohn: The simple answer is no.

Every taxpayer, every employee is responsible for their own withholding. An employer doesn't know the taxpayer's situation, so there's no way for the employer to know what it is that they should withhold without instructions from the employee, and employees should know that. Scott Mezistrano: It makes sense. Back to Diane, In Step 2 you are saying to pick one option, however, on the attachment there is only one box available to check. Is this something that will be corrected? Diane McGowen: Actually it's not a correction necessary. The attachment I believe the questioner is asking about is the Form W-4 draft. And in Step 2 it says do one of the following, A, use the Tax Withholding Estimator or, B, use the multiple jobs worksheet or check the box. So if you choose options 1 or 2 that we discussed earlier, then what you'll do is do what those options call for. Option 1, you'll go to the Tax Withholding Estimator and get the results to put on your W-4 from the Estimator. So you'll fill out your W-4 based on the results from the Estimator, if you are using option 1 or Step 2a. If you are using option 2 which is to use the worksheet, then you'll go through the

worksheet and then you'll put the results from the worksheet on line 4(c) in addition to any other additional amounts of withholding that needs to be withheld per pay period. It's only if your check, if you want to use option 3 to check the box that you'll check the box, so the form actually leads you through, and there's no action to take in Step 2 unless you're using the option 3, so in option 1 and option 2 you'll be going somewhere else, and then completing the form based on that somewhere else you go, whether it's the estimator or the worksheet. Only if you're choosing the last option, option 3 will you actually check anything in Step 2. I hope that's clear. Scott Mezistrano: Yes, thank you. OK. And here is a softball question for Alice, Did the American Payroll Association partner with the IRS on the design of the new Form W-4? Alice Jacobsohn: Thanks, Scott. We actually worked very closely with the IRS since the passage of the Tax Cuts and Jobs Act. It's an honor for me to be able to work with the IRS on this webinar. Our members have participated in meetings. We have submitted comments and we've been invited in with the IRS to answer specific questions about how payroll works. We are not alone in working with the IRS. There any number of other organizations that submitted comments or attended meetings as we did. That includes the National Payroll Reporting Consortium and a number of the tax practitioner groups including the American Institute of Certified Public Accountants. Back to you, Scott. Scott Mezistrano: Thanks, Alice. That's right. There were a lot of taxpayer representing organizations that participated in the discussions and the input and reviewing potential designs and instructions. There are the organizations that you mentioned. There's also the Independent Payroll Providers Association, the National Association of Enrolled Agents, the Federation of Tax Administrators, the National Association of Computerized Tax Processes, the National Association of State Auditors, Comptrollers and Treasurers. And of course then on the government side we have lots of areas of IRS involved in this, as well as the Taxpayer Advocate Service, representatives from the Department of the Treasury and the Social Security Administration as well. So it took a village, no question about it. OK. Let's have another question for Diane, When you say both jobs, does that mean either single, does that mean a single person with more than one job or does it mean a married couple with each having one job? Diane McGowen: It could be either. I assume this is in reference to the option 3 where you check the box, and you can have only two jobs. And the two jobs are either for a single employee that works two jobs at the same time. Or it could be a couple, a married couple that files jointly and each of them has a job. No matter how you counted it, it's two jobs. Scott Mezistrano: Perfect. And here's one more for you. Where can the employee find the Tax Withholding Estimator tool? Diane McGowen: That's easy. Go to IRS.gov and in the search box write, withholding, and the first thing that pops up is the Tax Withholding Estimator. Scott Mezistrano: That's easy. Search on just one word. Diane McGowen: Yes. Scott Mezistrano: Another one for you, Is the employee required to complete Step 2? Diane McGowen: No. However, if they are working more than one job at the same time, or have a working spouse, we know that they will probably not have enough withholding unless they do use Step 2 to provide for additional withholding. So that's the option 1, 2, or 3. Scott Mezistrano: OK. Great. Well, you just did a lightning round of questions. And now let me go back to Victor, May a taxpayer request a flat dollar amount be deducted from pay for federal income tax withholding? Victor Aledo: Yes, that's a great question, Scott. And I've seen it posted several times. So the short term answer is no, it's a qualified no because a taxpayer can enter a flat amount, a specific amount of withholding in Step 4(c), but that always works in combination with the basis withholding which is tied to your filing status which you select in Step 1(c) and the standard deduction which is built into the withholding tables. So once you account for your filing status and the standard deduction that's incorporated into the withholding tables, then you could choose to enter an extra amount of withholding and that's excellent method when you want a lot of precision. And that's actually one of the outputs of the online calculator or the online estimator, I should say. It will tell you the extra amount of withholding to write down to get to a very precise withholding given the information you input into the system. Thanks, Scott.

Scott Mezistrano: Perfect. OK. That's all the time we have for questions. Let's move on to some concluding thoughts. Diane and Alice, what are the most important reminders you'd like to give about the 2020 Form W-4? Diane McGowen: Well, the biggest change is that allowances which has been tied to the amount of personal exemptions is no longer use. Also, the new form is divided into five Steps to guide employees through the form. Alice Alice Jacobsohn: Thanks, Diane. Of the five steps, Steps 1 and 5 are required on the 2020 Form W-4 in order for the form to be considered valid. Also, this is really important, only newly hired employees in 2020 or any employee with a prior W-4 who wants to adjust their withholding in 2020 must use the redesign form. The instructions will take the employer through both an existing form and the 2020 form as far as the calculations are concerned. Scott, that's all I have. Scott Mezistrano: Thank you, Alice. And, Wendy, what are the key takeaways regarding Pub 15-T? Wendy Jing: In this new publication there are five worksheets to assist you to determine employees' withholding. There are separate computations based on the method of withholding, percentage or wage bracket method, the payroll system, automated or manual, or whether the W-4 is from 2020 or one of the older years' forms. So, I encourage everybody go check it out and help you to figure your withholding up for your employee. Scott Mezistrano: Thank you again, Wendy, Diane, Alice and Victor for sharing your knowledge and expertise. I will now turn it over to Earline to close our webinar.

Earline Brown: Thanks, Scott. Audience, we are planning additional webinars throughout the year. To register for an upcoming IRS webinar please visit IRS.gov using keyword, webinars, and select the Webinar for Tax Practitioner or Webinars for Small Businesses. And we will be offering certificates and CE credit for other upcoming webinars. You may visit the IRS Video Portal at www.irsvideos.gov. The IRS video portal contains video and audio presentations on topics of interest to small businesses, individuals and tax professionals. You will also find video clips of tax topics in archived versions of live webinars. We want to remind you continuing education credits or certificates of completion are not offered if you view an archived version of any of our webinars on the IRS Video Portal. Again, a big thank you to Wendy, Diane, Alice and Scott for a great webinar and for sharing their expertise. I also want to thank you our attendees for attending today's webinar, Understanding the 2020 Form W-4 and How to Use It to Compute Withholding. If you attended today's webinar for at least 50 minutes after the official start time of the webinar you will receive a certificate of completion that you can use with your credentialing organization for one possible CPE credit. If you are eligible for continuing education from the IRS and registered with your valid PTIN your credit will be posted in your PTIN account. If you're eligible for a continuing education from the California Tax Education Council your credit will be posted to your CTEC account as well. Also, if you registered through the Florida Institute of CPAs your participation information will be provided directly to them. If you qualify and have not received your certificate and, or credits by November 12 please email us at CL.SL.Web.Conference.Team@IRS.gov. The email address is shown on the slide, too. If you are interested in finding out who your local Stakeholder Liaison is you may send us an email using the address shown on this slide and we'll send you that information. We would appreciate it if you will take a few minutes to complete the short evaluation before you exit. If you would like to have more sessions like this one let us know.

If you have thoughts on how we can make them better please let us know that as well. If you have any requests for future webinar topics or pertinent information you'd like to see in an IRS Fact Sheet, a Tax Tip or in a FAQ on IRS.gov please include your suggestions in the comments section of the survey. Click the Survey button on the left side of your screen to begin. If it does not come up check to make sure you have disabled your pop-up blocker. It has been my pleasure to be here with you today and on behalf of the Internal Revenue Service and our presenters and guest moderator we would like to thank you for attending today's webinar. It's important for the IRS to stay connected with the tax professional community, industry associations, federal, state and local government organizations and individual taxpayers. You make our job a lot easier by sharing the information that allows the proper tax reporting.

Thanks again for your time and attendance. And we wish you much success in your business or practice. This concludes today's webinar. You may exit the webinar at this time.