



IRS 2020 Form W-4 Employer Guide

Introduction

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

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

The most significant change is that there are no withholding allowances. Allowances have been the basis for income withholding for many years, so employees may ask about how to adjust their withholding using the new form. This toolkit will help you answer questions about the revised Form W-4.

*Note: The **2020 Form W-4** has **NOT** been finalized as of October 18, 2019. Final forms and instructions may vary slightly, although no substantial changes are expected.*



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Changes to Form W-4 for 2020

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

Employees hired before 2020 can simply leave their 2019 or prior Form W-4 in effect indefinitely. Employers should therefore expect to support the prior W-4 and withholding allowances for the foreseeable future. Payroll systems will now need to be able to handle allowances-based calculations and new 2020 W-4 inputs.

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

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

Department of the Treasury Internal Revenue Service

Step 1: Enter Personal Information

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

Address (c) Do you have a valid driver's license or state-issued identification card? (d) Do you have a valid passport?

(e) Single or married filing jointly (f) Married filing jointly (g) Head of household (h) Qualifying widow(er)

Complete Steps 2 through 4 ONLY if they apply to you. To see if you are exempt from withholding or if you have concerns about your privacy, see page 2. Everyone must complete Step 5. See instructions on page 2.

Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do only one of the following:

(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 (b) (Step 4c) below for roughly accurate withholding, or

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld. ☐ **CAUTION:** If you have privacy concerns, choose (a) or (b). If you and/or your spouse have income from self-employment, including as an independent contractor, choose (a).

Complete Steps 3 through 4(b) on Form W-4 for only one of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3 through 4(b) on the Form W-4 for the highest paying job.)

Step 3: Claim Dependents

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

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

Multiply the number of other dependents by \$500 ▶ \$

Add the amounts above and enter the total here ▶ \$

Step 4 (optional): Other Adjustments

(a) Other income. If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income. You should not include income from any job. ▶ \$

(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 ▶ \$

Step 5: Sign Here

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

Employee's signature (This form is not valid unless you sign it.) Date

Employers Only

Employer's name and address First date of employment Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 3. Cat No. 102002 Form W-4 (2020)

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



Step 2 of the 2020 Form W-4

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

a) Online Withholding Estimator

b) Multiple Jobs Worksheet; or,

c) Check the box

The IRS emphasizes that if an employee opts for the checkbox, BOTH spouses should check the box. However, only ONE spouse should complete Steps 3 and 4(a) and (b), which are child and dependent tax credits, other income, and deductions.

How does the Step 2 checkbox work?

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

- For example, for the Married Filing Jointly status, the 24% rate normally applies for wages over roughly \$180,000, but if the Step 2 box is checked, the 24% rate applies to wages over about \$96,000.
- Withholding may be substantially higher than the normal schedule, but the tax bracket and rate will be correct for the combined family income.
- Individuals who will file as Single or Head of Household may also use this checkbox, but there is no guarantee that checking the box will result in a refund. Tax refunds or amounts due depend on the comprehensive tax situation for the family or individual, compared to the amount withheld throughout the year.
- Additional information on this section is provided in [Frequently Asked Questions About the 2020 Form W-4](#) from [IRS.gov](#).



Impact on your employees

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



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



Impacts to Onboarding

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

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

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



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

Publication 15-T now contains all the instructions and tax tables for employers to calculate withholding after 2019, for employees that provide a 2020 Form W-4, and those who have a 2019 or prior Form W-4 on file.

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

Line 4a, Other Income

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

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

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

Claiming Exemption from Withholding

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

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

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

Electronic Forms W-4

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

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

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

Nonresident Aliens

An adjustment to wages is needed to calculate withholding for nonresident aliens. Instructions in the 2020 Publication 15-T explain the additional amounts to be added to wages to determine withholding for nonresident aliens.

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

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

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 .

Claim dependents and other adjustments in Steps 3 and 4



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

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

Features include:

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



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

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

If you are an ADP client, you will receive additional instructions on how your specific payroll systems will be modified to accept new inputs and handle revised calculations.

Additional Resources

For additional information, visit:

- [FAQs on the draft 2020 Form W-4](#)
- [2020 IRS Form W-4 and Instructions](#), or irs.gov/pub/irs-pdf/fw4.pdf
- [2020 IRS Publication 15-T](#), or irs.gov/pub/irs-dft/p15t-dft.pdf
- [IRS Notice 1392](#), Supplemental Form W-4 Instructions for Nonresident Aliens
- [Publication 15 \(Circular E\), Employer's Tax Guide](#)



Instructions for the Draft Employee Letter

Some employers may want to advise all current employees that the Form W-4 has been substantially changed. However, this is not required. Employees may view such information as a helpful gesture. Most people want to make sure that their income tax withholding is reasonably accurate, and they may be happy to see the new simplified approach of entering in full-year tax credits, deductions and so on.

If you do decide to advise existing employees about the new Form W-4, the IRS has said that employers should explain that employees are not required to submit new Form W-4, and that if they don't, withholding will continue based on the most recent Form W-4 that the employee submitted previously.

Alternatively, it's perfectly acceptable for employers to say nothing about the revised Form W-4 to current employees. Employees will naturally find the new form when they decide that it is necessary to adjust their tax withholding.

When to use the letter

Be sure to wait for the final 2020 Form W-4 to be released by the IRS before telling employees about it. The IRS is expected to finalize the form in late November. Check back to this page periodically for the announcement of the final form.

Customize the letter before use

You may want to put the letter onto your organization's letterhead. In any event, the closing section offers contact information in case employees have further questions. This should be customized to reflect the appropriate persons or department.



Sample notice to employees (optional)

Re: New IRS Form W-4 for 2020

Dear Employee:

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

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

Form W-4 Highlights

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

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

We recommend that all new employees or existing employees that would like to adjust their withholding complete a 2020 Form W-4 no later than December XX, 2019, which will be applied to wages and withholding beginning in 2020.

However, current employees are not required to submit a new Form W-4. If you do not submit a new Form W-4, withholding will continue to be based on the most recent Form W-4 that you provided.

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

Attachment: 2020 Form W-4 & Instructions