



## Ready or Not, Here it Comes. 2020 W-4

The 2020 Form W-4, Employee's Withholding Certificate, is very different from previous versions. This is due to the federal tax law changes that took place in 2018 from the 2017 Tax Cuts and Jobs Act.

The most significant change is that there is no longer the use of withholding allowances, and the form asks the employee to basically prepare an estimated tax return. Some of the information requested may even be considered intrusive, including income from other sources, spouse income, itemized deductions, and number of children and other dependents.

All employees hired on or after January 1st, 2020 will need to complete the new form. During 2020, the IRS will provide tax withholding tables for both the "old form" method of allowances and the new expanded form. This means that employees hired prior to January 1st, 2020 are not required to complete a new form unless they want to change their withholding. By January 1st, 2021, all employees will need to have completed a new form.

### INSTRUCTIONS

Employees only need to complete Step 1 and Step 5, as all other steps are optional.

- Step 1 has a new filing status; Head of Household
- Step 2 is used when the employee has multiple jobs or when the employee's spouse also works. It is highly suggested that the employee uses the tax estimator at [irs.gov/W4App](https://www.irs.gov/W4App). Alternately, the employee can complete the worksheet on the third page of the form and enter the resulting amount on line 4(c) in Step 4, or check the box on (c) in Step 2. If the employee checks the box, BOTH employee and spouse 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.

- Step 3 is used for the employee to claim a number of qualifying children and other dependents by multiplying the number by the respective amount.
- Step 4 is used for the employee to declare (a) income from other sources that will not have income tax withheld, (b) claim deductions other than the standard deductions to reduce taxable income (there is a worksheet on page 3.) The employee can also (c) enter an amount of extra withholding tax each pay period.

## **FILING & RETENTION**

No different than prior years, the employer does not need to send a copy of this form to the IRS. The IRS states that the employer must maintain their copy for a minimum of four years after the date that the taxes were due or paid, whichever is later. Since this form is not actually used to report taxes due or paid, my translation of this requirement is to keep the form for as long as the form is used for calculation of withholding tax and for four years after the W-2 is filed for that year based on the W-2 filing date to Social Security Administration (SSA).

## **IMPACT**

You may find that new hires will need additional time to complete this form as they may need to confer with their spouse or even their tax return preparer/CPA. They may also have plenty of questions for you, in which case we have created the [separate letter to distribute to your employees](#).

You may also find that your employees will complete this form multiple times throughout the year based on changes to their household finances.

Familiarize yourself with the new form as well as the online calculator. This may help you answer any questions that you are presented with.

## **RESOURCES**

- [W-4 Form](#)
- [IRS Training Video](#)
- [IRS FAQs on the Draft 2020 W-4 Form](#)
- [Draft Publication 15-T Federal Income Tax Withholding Methods](#)
- [Supplemental Form W-4 Instructions for Nonresident Aliens](#)
- [Publication 15 \(Circular E\) Employer's Tax Guide](#)