

2019 withholding is changing and it's going to be a bumpy ride

Not very comforting, is it?

Back in the [winter](#), we mentioned that the IRS anticipated that the entire withholding process would change, beginning in 2019, thanks to the Tax Cuts and Jobs Act. Apparently that's true, if this first draft of the 2019 W-4, which the IRS released last week, makes it into prime time.

In a bit of good news, the draft form is ahead of schedule. At the American Payroll Association's annual Congress last month, Acting IRS Commissioner David Kautter said the form wouldn't be ready until much later in the year.

Take a look for yourself

We've been saying for a while now that tax reform will fundamentally change payroll administration. *Crux for Payroll*: the shift to adjustments to income and credits, from adjustments to income and tax. One look at the draft W-4 tells us that's true. We've highlighted the new lines.

Form **W-4** Employee's Withholding Allowance Certificate OMB No. 1545-0074

▶ Give Form W-4 to your employer.
▶ Go to www.irs.gov/FormW4 for instructions and the latest information.
▶ The amount of, or exemption from, withholding is subject to review by the IRS.

2019

Department of the Treasury Internal Revenue Service

1 Your first name and middle initial		Last name		2 Your social security number	
Home address (number and street or rural route)				3 <input type="checkbox"/> Single or married filing separately <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Head of household	
City or town, state, and ZIP code				4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ▶ <input type="checkbox"/>	

Before you begin:

- See the instructions at www.irs.gov/FormW4 before completing this form. If you have a simple tax situation, you may be able to use the brief instructions on the back of this form.
- You also can use the calculator at www.irs.gov/W4App to complete your Form W-4.
- If you hold more than one job at a time (or are married filing jointly and both you and your spouse have jobs), complete lines 5, 6, and 7 **only** for the highest paying job in the household.

5 Enter the amount, if any, of nonwage income not subject to withholding, such as interest and dividends	5 \$
6 Enter the amount, if any, of itemized and other deductions	6 \$
7 Enter the amount, if any, of tax credits, such as the child tax credit	7 \$
8 Complete this line only if you have multiple jobs at the same time or file as married filing jointly and both you and your spouse work; otherwise, leave it blank. Enter the total pay of all lower paying jobs	8 \$
9 Additional amount, if any, you want withheld from each paycheck	9 \$
10 I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶	10

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

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

Date ▶

11 Employer's name and address (Employer: Complete boxes 11 and 13 if sending to IRS and complete boxes 11, 12, and 13 if sending to State Directory of New Hires.)	12 First date of employment	13 Employer identification number (EIN)
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Questions about

Payroll systems are built to calculate income tax withholding based on your pay period and the number of withholding allowances employees claim on their W-4s. It's pretty standard stuff. Employees with more complex tax situations usually request that you withhold an additional flat amount.

What's conspicuously absent from the 2019 draft? Any mention of withholding allowances (the draft instructions for employers do mention withholding allowances, though).

What's conspicuously included on the 2019 draft? New Lines 5-8 ask employees to write in dollar figures, which, up until this point, haven't been anyone's business, except theirs.

What if employees don't want to make entries on these lines? The draft instructions say that employees uncomfortable with disclosing this information can use the withholding calculator. But the calculator has its own problems—apparently, it's a bit more difficult to use than the IRS has let on and it doesn't accommodate employees who use overwithholding as a form of forced savings.

Draft instructions provide some employer guidance

The IRS says that the 2019 W-4 will be compatible with employers' current payroll systems and old W-4s. That's a relief, since the prospect of running two parallel, but incompatible, withholding systems—the old one for employees who don't refile their W-4s with you and a new one for new hires and employees who do refile—would be daunting.

The IRS also released an 11-page booklet of [draft instructions](#) to the new W-4, which contain some important information for employers.

- **Prior year W-4s:** You can make prior year W-4 data conform to the new withholding method for 2019 by keeping the number of withholding allowances and additional withholding the same as they are on prior year forms and assuming lines 5, 6, 7 and 8 are zero.
- **Basic withholding:** You figure withholding for employees who didn't make any entries on Lines 5-10 by defaulting to two withholding allowances if employees are single or married filing separately or three allowances if employees are married filing jointly or heads of households. The three-allowance default is also the basis for figuring withholding for employees whose Forms W-4 include entries on lines 5, 6, 7, 8 and 9.

You can see the two problems with the IRS' take on basic withholding right away.

First, you must know employee's marital status. In a small company that may not be too difficult. In larger companies, this may become an issue.

Second, by entering the number of withholding allowances for employees, you'll be directly responsible for employees' withholding and, more important, any mistakes in that withholding.

More to come

The IRS stressed that this is only the first draft. However, it said that a final W-4 and instructions will be released sometime in August. That's not a lot of time for it to make significant changes.

If you care to comment on the draft, you have until July 7 to do so. Comments should be emailed to WI.W4.Comments@IRS.gov.