

# Draft 2020 W-4: Perhaps less horrible than the 2019 draft

The IRS promised the first draft of the 2020 W-4 by the end of May and it kept its word. But look high and low on the draft and you will *not* see any line for employees to indicate their withholding allowances. *Why:* The Tax Cuts and Jobs Act suspended personal exemptions through 2025.

That's bad news for you, since payroll systems are currently built based on the number of withholding allowances employees claim.

*Another change that will necessitate a payroll software upgrade:* the addition of head of household status on Line 1c. Head of household status has been around for a long time on 1040s, but never on W-4s.

This is probably a pretty good indication that the IRS will revamp the withholding tables to accommodate a third status.

Form <b>W-4</b> Department of the Treasury Internal Revenue Service	<b>Employee's Withholding Allowance Certificate</b> ▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.		OMB No. 1545-0074 <b>2020</b>
<b>Step 1:</b> <b>Enter Personal Information</b>	1a First name and middle initial	Last name	1b Social security number
	Home address (number and street)		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov.
	City or town, state, and ZIP code		
	1c <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		
<b>Complete Steps 2 through 4 if they apply to you; otherwise, skip to Step 5. See instructions on page 2.</b>			
<b>Step 2:</b> <b>Account for Multiple Jobs</b>	<b>Caution:</b> The correct amount of withholding depends on income earned from all jobs in the household. If you: <ul style="list-style-type: none"> <li>• Hold more than one job at a time, or</li> <li>• Are married filing jointly and both you and your spouse work,</li> </ul> account for this below or you may owe additional tax when filing your tax return. (If you and/or your spouse have income from self-employment, see page 2.) <p>2 <b>Multiple jobs.</b> Do <b>only one</b> of the following. <ul style="list-style-type: none"> <li>• Use the calculator at <a href="http://www.irs.gov/W4App">www.irs.gov/W4App</a> for most accurate withholding; or</li> <li>• Use Worksheet 1 on page 3 and enter the result on line 4c below for roughly accurate withholding; or</li> <li>• If there are only two jobs in your household, you may check here. Do the same on Form W-4 for the other job. With this option, more tax than necessary may be withheld from your wages, but you generally won't have too little tax withheld. . . . . ▶ <input type="checkbox"/></li> </ul> </p>		
<b>Complete lines 3 through 4b on Form W-4 for only one job in the household.</b> (Your withholding will be most accurate if you do this on the Form W-4 for the highest paying job.)			
<b>Step 3:</b> <b>Claim Dependents</b>	3 <b>Dependents.</b> If your income will be \$200,000 or less (\$400,000 or less if married filing jointly) (see instructions): <ul style="list-style-type: none"> <li>• Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ _____</li> <li>• Multiply the number of other dependents by \$500 . . . . . ▶ \$ _____</li> </ul> Add the amounts above and enter the total here . . . . .	3	\$
<b>Step 4:</b> <b>Other Adjustments (optional)</b>	4a <b>Other income.</b> If you want tax withheld for other income you expect this year that will not 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 . . . . .	4a	\$
	b <b>Deductions.</b> If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use Worksheet 2 on page 3 and enter the result here . . . . .	4b	\$
	c Enter any additional amount you want withheld each <b>pay period</b> . . . . .	4c	\$
	d <b>Exemption.</b> You can claim exemption from withholding for 2020 if: <ul style="list-style-type: none"> <li>• For 2019, you had <b>no</b> federal income tax liability; <b>and</b></li> <li>• For 2020, you expect to have <b>no</b> federal income tax liability.</li> </ul> If you meet both of these conditions, certify by writing "Exempt" here . . . . . ▶	4d	
<b>Step 5:</b> <b>Sign Here</b>	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.		
<b>Employers Only</b>	5 Employer's name and address	6 First date of employment	7 Employer identification number (EIN)

## What's missing

The critical piece of information—instructions for employers—wasn't released with the draft form, although the IRS intends to release instructions for employers in new Pub. 15-T. A [link](#) to this new pub appears on the cover page to the draft form, but no draft pub is available.

Also missing from this draft is a directive that employees provide you with information about their other sources of income. That raised all sorts of privacy issues last year. On this draft, doing so is voluntary.

*Upshot:* Employees don't have to disclose to you any more information than they traditionally have had to disclose. Employees, of course, are encouraged to use the IRS' withholding calculator to determine how much more should be withheld from their pay. If employees want to account for other sources of income, they can complete Line 4c.

## What we can glean now

The 2020 draft is built on five “steps,” instead of a bevy of worksheets. Without withholding allowances, the 2020 draft is actually shorter (for employees) than the W-4 you’re using now. Employees with the simplest tax situation—single, one job, no tax dependents, no other income or deductions—need only complete Steps 1 and 5.

According to the instructions for employees, withholding will be based on their status (single, married, etc.) and the applicable standard deduction and tax rates, less child and dependent credits. This is supposed to make withholding more accurate and transparent, but will probably disappoint employees who count on large tax refunds. Those employees can opt to have more tax withheld on Line 4c.

But it also seems to mean that you will not be responsible for determining employees’ withholding any more so than you are required to do so now; a requirement that applied to the 2019 draft and to which employers objected vociferously, since that could have led to liability to employees for withholding mistakes.

## Frequently Asked Questions

[FAQs](#) for employers released along with the draft form note that you won’t necessarily need two payroll systems—one for forms submitted before 2020 and another for forms submitted after 2019. Instead, the IRS says that you will be able to apply the same set of withholding tables to both sets of forms.

The IRS also says that you can use one system based on the redesigned form by entering zero or leaving blank information for current forms for the data fields that capture the information on the redesigned form.

Helpfully, the IRS says that this will all be made clear when it releases Pub. 15-T.

The FAQs also reiterate a point Dan Lauer, SB/SE Examination Field and Campus Policy at the IRS, made at the recent American Payroll Association annual Congress: the IRS can’t require everyone to refile their W-4s, but you can try to incentivize employees to refile.

## Care to comment?

The IRS is taking comments on the draft form through July 1. If you care to get your two cents in, email the IRS at: [WI.W4.Comments@IRS.gov](mailto:WI.W4.Comments@IRS.gov).

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