BusinessManagement DAILY

MAY 29, 2020

Payroll practice essentials: W-4s for 2nd half of 2020

Everyone has been living with the new W-4 for almost half a year. The results aren't encouraging. Employees are finding the IRS' withholding estimator difficult to use.

Employees can rectify withholding mistakes during the second half of the year, but they must act fast.

Common mistakes. Employees still haven't gotten the hang of the new form. *Their biggest mistake to date:* Employees who want less taxes withheld are filing forms instructing Payroll to withhold more. Some employees have approached their payroll departments asking for tax refunds. *No can do:* The IRS refunds taxes, not you. The best you can tell them is to refile their W-4s and ask you to withhold less taxes for the remainder of the year.

Help us, please! Employees are turning to you for help in filling out their forms. Payroll departments are standing pat and not giving employees tax advice. But doing nothing is rarely good for customer service. Here are some ideas to help you reach out to employees:

- Run your own tests to check if employees used the estimator correctly. If they made mistakes, show them where you think they went wrong and advise them to use the estimator again.
- If your system allows, encourage employees to run their own tests to confirm their entries.
- Give employees the facts about how to fill out the form, what the W-4 does and how the math works. *Caution:* Facts are fine, but don't tell employees what entries they should make on their forms—that's bordering on providing tax advice.
- Ask employees what they want their W-4s to do—withhold close to their tax liability, withhold more or withhold less—and advise them that although you can't tell them the right amount to withhold, you can show them what their withholding would be for each scenario. Then, allow them to fill out the forms themselves.
- Provide employees with a semiannual summary of their wages and withholding (technically, they should be able to glean this information from their pay statements, but employees mostly ignore those statements), project the semiannual figures for the second half of the year and ask employees if that's what they intended. If it's not, advise them to refile their forms for the remainder of the year.

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