



# 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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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.







## 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