

# Eye on Washington Regulatory Update

## IRS Releases 2020 Publication 15, 15-A, 15-B, and 15-T

The Internal Revenue Service (IRS) has released its final version of the 2020 Publication 15 (aka Circular E) Employer's Tax Guide; Publication 15-A, Employer's Supplemental Tax Guide; Publication 15-B (Employer's Tax Guide to Fringe Benefits); and Publication 15-T, Federal Income Tax Withholding Methods.

### Publication 15

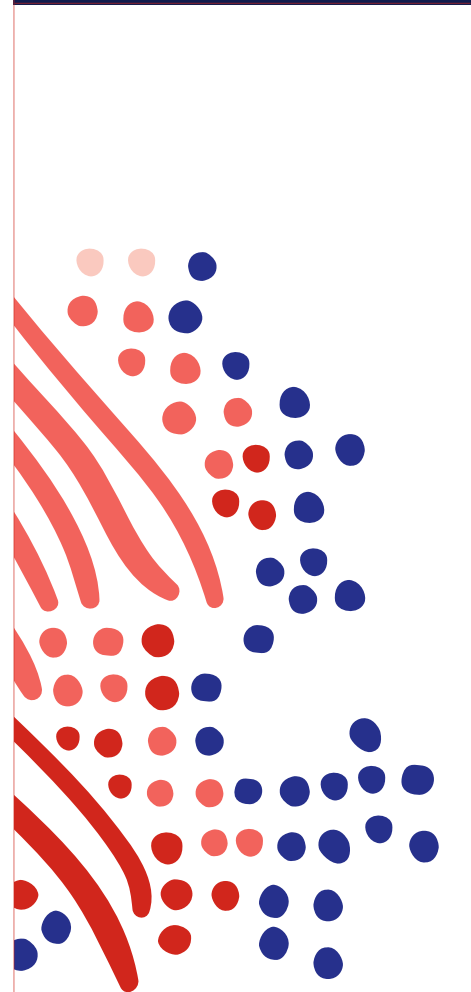
Publication 15 explains an employer's tax responsibilities, important updates for 2020, and employer instructions for payroll and nonpayroll tax withholding.

Some of the highlights of the 2020 Publication 15 are as follows:

**2020 Withholding Tables.** The Percentage Method and Wage Bracket Method withholding tables, as well as the amount to add to a nonresident alien employee's wages for figuring income tax withholding, are no longer included in Pub. 15. These tables and the employer instructions on how to figure employee withholding are now included in Pub. 15-T, Federal Income Tax Withholding Methods. You may also use the Income Tax Withholding Assistant for Employers at [IRS.gov/ITWA](https://www.irs.gov/ITWA) to help you figure federal income tax withholding.

### Redesigned Form W-4 for 2020. [The IRS has redesigned Form W-4 for 2020.](#)

In the past, the value of a withholding allowance was tied to the amount of the personal exemption. Due to changes in the law, taxpayers can no longer claim personal exemptions or dependency exemptions; therefore, the 2020 Form W-4 no longer asks an employee to report the number of withholding allowances that they are claiming. The revised Form W-4 is divided into five steps. Step 1 and Step 5 apply to all employees. In Step 1, employees enter personal information like their name and filing status. In Step 5, employees sign the form. Employees who complete only Step 1 and Step 5 will have their withholding figured based on their filing status's standard deduction and tax rates with no other adjustments. If applicable, in Step 2, employees increase their withholding to account for higher tax rates due to income from other jobs in their household. Under Step 2, employees either enter an additional amount to withhold per payroll period in Step 4(c) or check the box in Step 2(c) for higher withholding rate tables to apply to their wages. In Step 3, employees decrease their withholding by reporting the annual amount of any credits they will claim on their income tax return. In Step 4, employees may increase or decrease their withholding based on the annual amount of other income or deductions they will report on their income tax return and they may also request any additional federal income tax they want withheld each pay period.



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Employees who have submitted Form W-4 in any year before 2020 aren't required to submit a new form merely because of the redesign. Employers will continue to figure withholding based on the information from the employee's most recently submitted Form W-4. The withholding tables in Pub. 15-T allow employers to figure withholding based on a Form W-4 for an earlier year as well as the redesigned 2020 Form W-4. While you may ask your employees first paid wages before 2020 to submit new Forms W-4 using the redesigned version of the form, you should explain to them that they're not required to do this and, if they don't submit a new Form W-4, withholding will continue based on a valid Form W-4 previously submitted. All newly hired employees first paid wages after 2019 must use the redesigned form. Similarly, any other employees who wish to adjust their withholding must use the redesigned form. A new employee who is first paid wages in 2020, including an employee who previously worked for you and was rehired in 2020, and who fails to furnish a Form W-4 will be treated as if they had checked the box for Single or Married Filing Separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2020 Form W-4. However, an employee who was paid wages in 2019 and who failed to furnish a Form W-4 should continue to be treated as single and claiming zero allowances on a 2019 Form W-4. See Section 9 for additional details. For the latest information about developments related to Form W-4, go to [IRS.gov/FormW4](https://www.irs.gov/FormW4).

**Social Security and Medicare Tax for 2020.** The Social Security tax rate is 6.2 percent each for the employee and employer, unchanged from 2019. The social security wage base limit is \$137,700. The Medicare tax rate is 1.45 percent each for the employee and employer, unchanged from 2019. There is no wage base limit for Medicare tax. Social Security and Medicare taxes apply to the wages of household workers you pay \$2,200 or more in cash wages for 2020. Social Security and Medicare taxes apply to election workers who are paid \$1,900 or more in cash or an equivalent form of compensation in 2020.

**New Form 1099-NEC.** There is a new Form 1099-NEC to report nonemployee compensation paid in 2020. The 2020 Form 1099-NEC will be due February 1, 2021. For nonemployee compensation paid in 2019, continue to use Form 1099-MISC, which is due January 31, 2020.

For a copy of the 2020 Publication 15, click on the link provided below:

<https://www.irs.gov/pub/irs-pdf/p15.pdf>

### Publication 15-A

IRS Publication 15-A supplements IRS Publication 15 (Circular E), by providing more specialized and detailed employment tax information on certain topics covered in IRS Publication 15.

There are sections in IRS Publication 15-A on: (1) Who Are Employees; (2) Employee or Independent Contractor; (3) Employees of Exempt Organizations; (4) Religious Exemptions and Special Rules for Ministers; (5) Wages and Other Compensation; (6) Sick Pay Reporting; (7) Special Rules for Paying Taxes; and (8) Pensions and Annuities.

A few of the highlights under "What's New" are as follows:

**2020 Withholding Tables.** The discussion on the alternative methods for figuring Federal Income Tax Withholding and the Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members are no longer included in Pub.15-A. This information is now included in Pub. 15-T, Federal Income Tax Withholding Methods, along with the Percentage Method and Wage Bracket Method withholding tables. However, the IRS is no longer providing the Formula Tables for Percentage Method Withholding (for Automated Payroll Systems); Wage Bracket Percentage Method Tables (for Automated Payroll Systems); or the Combined Federal Income Tax, Employee Social Security Tax, and Employee Medicare Tax Withholding Tables.

**New Form 1099-NEC.** This revision of Pub. 15-A will continue to reference Form 1099-MISC because that is the form that is filed in 2020.

**Disaster tax relief.** Disaster tax relief is available for those impacted by disasters. For more information about disaster relief, go to [IRS.gov/DisasterTaxRelief](https://www.irs.gov/DisasterTaxRelief)

For a copy of the 2020 Publication 15-A, click on the link provided below:

<https://www.irs.gov/pub/irs-pdf/p15a.pdf>

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### Publication 15-B

Publication 15-B (Employer's Tax Guide to Fringe Benefits) contains information for employers on the employment tax treatment of various fringe benefits, including accident and health coverage, adoption assistance, company cars and other employer-provided vehicles, dependent care assistance, educational assistance, employee discount programs, group term life insurance, moving expense reimbursements, health savings accounts (HSAs), and transportation (commuting) benefits. (Publication 15-B uses the term "employment taxes" to refer to federal income tax withholding as well as Social Security and Medicare (FICA) and federal unemployment (FUTA) taxes.) Publication 15-B is a supplement to Publication 15 (circular E) and IRS Publication 15-A (Employer's Supplemental Tax Guide).

A few of the highlights under "What's New" are as follows:

**Cents-per-mile rule.** The business mileage rate for 2020 is 57.5 cents per mile. You may use this rate to reimburse an employee for business use of a personal vehicle, and under certain conditions, you may use the rate under the cents-per-mile rule to value the personal use of a vehicle you provide to an employee.

**Qualified parking exclusion and commuter transportation benefit.** For 2020, the monthly exclusion for qualified parking is \$270 and the monthly exclusion for commuter highway vehicle transportation and transit passes is \$270.

**Contribution limit on a health flexible spending arrangement (FSA).** For plan years beginning in 2020, a cafeteria plan may not allow an employee to request salary reduction contributions for a health FSA in excess of \$2,750.

Publication 15-B also includes the following reminders about changes to the tax law as a result of the enactment of H.R. 1, the Tax Cuts and Jobs Act (TCJA).

**Supplemental wage withholding rate.** The supplemental wage withholding rates have decreased under the TCJA. The optional flat withholding rate for supplemental wage payments of \$1 million or less (bonuses, commissions, etc.) is 22 percent from 2018-2025. In addition, the mandatory withholding rate on supplemental wage payments during the year that total over \$1 million is 37 percent from 2018-2025.

**Moving expense reimbursements.** The exclusion from an employee's income for qualified moving expense reimbursements is suspended for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026, except for reimbursements to U.S. Armed Forces members on active duty who move because of a permanent change of station.

**Qualified bicycle commuting reimbursements.** A provision in the TCJA suspended the exclusion for qualified bicycle commuting reimbursements from an employee's income for tax years beginning after Dec. 31, 2017, and before Jan. 1, 2026. Previously, employers could exclude up to \$20 per month in reimbursements to an employee for bicycle commuting costs.

For a copy of IRS Publication 15-B "Employer's Tax Guide to Fringe Benefits" (For Benefits Provided in 2020), click on the link provided below.

<https://www.irs.gov/pub/irs-pdf/p15b.pdf>

### Publication 15-T

This publication supplements Publication 15, Employer's Tax Guide, and Publication 51, Agricultural Employer's Tax Guide. It describes how to figure withholding using the Wage Bracket Method or Percentage Method, describes the alternative methods for figuring withholding, and provides the Tables for Withholding on Distributions of Indian Gaming Profits to Tribal Members. The publication explains how to withhold income tax based on pre-2020 Forms W-4 and 2020 Forms W-4, Employee's Withholding Certificate.

The final version also updates the "Withholding Adjustment for Nonresident Alien Employees" Table 1 and Table 2 dollar amounts that are used in calculating income tax withholding on the wages of NRA employees.

It is important to note that the IRS will no longer be publishing IRS Notice 1036 which provided the NRA information prior to 2019.

**Instructions:** Determine if the nonresident alien employee has submitted a 2020 Form W-4 or an earlier Form W-4. Then add to the wages paid to the nonresident alien employee for the payroll period the amount for the applicable type of Form W-4 and payroll period.

If the nonresident alien employee was first paid wages before 2020 and has not submitted a Form W-4 for 2020 or later, add the amount shown in Table 1 to their wages for calculating federal income tax withholding.

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**Table 1**

Payroll Period	Add Additional
Weekly.....	\$155.80
Biweekly.....	311.50
Semimonthly.....	337.50
Monthly.....	675.00
Quarterly.....	2,025.00
Semiannually.....	4,050.00
Annually.....	8,100.00
Daily or Miscellaneous (each day of the payroll period).....	31.20

If the nonresident alien employee has submitted a Form W-4 for 2020 or later or was first paid wages in 2020 or later, add the amount shown in Table 2 to their wages for calculating federal income tax withholding.

**Table 2**

Payroll Period	Add Additional
Weekly.....	\$238.50
Biweekly.....	476.90
Semimonthly.....	516.70
Monthly.....	1,033.30
Quarterly.....	3,100.00
Semiannually.....	6,200.00
Annually.....	12,400.00
Daily or Miscellaneous (each day of the payroll period).....	47.70

For a copy of Publication 15-T, click on the link provided below.

<https://www.irs.gov/pub/irs-pdf/p15t.pdf>

## ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP Eye on Washington Web page located at [www.adp.com/regulatorynews](http://www.adp.com/regulatorynews).

ADP is committed to assisting businesses with increased compliance requirements resulting from rapidly evolving legislation. Our goal is to help minimize your administrative burden across the entire spectrum of employment-related payroll, tax, HR and benefits, so that you can focus on running your business. This information is provided as a courtesy to assist in your understanding of the impact of certain regulatory requirements and should not be construed as tax or legal advice. Such information is by nature subject to revision and may not be the most current information available. ADP encourages readers to consult with appropriate legal and/or tax advisors. Please be advised that calls to and from ADP may be monitored or recorded.

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