



Eye On Washington Regulatory Update



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IRS Issues Statement on Tax Reform and Form W-4

As previously reported, the Tax Cuts and Jobs Act (the Act), was passed by both the House and Senate on December 20, 2017, and [was signed into law on December 22](#). The Act includes several significant changes that are relevant to employers for payroll, employment tax, and employee benefits purposes. The changes were generally effective on January 1, 2018.

The Act repeals the deduction for personal exemptions, which for 2017 was \$4,050 per individual (i.e., employee, spouse, dependents). The number of personal exemptions has been a key factor in withholding calculations. Employees establish withholding allowances on Forms W-4, based in part on the number of personal exemptions that they expect to report on their income tax returns.

A pressing question was whether employees would be required to submit a new Form W-4 as a result of the elimination of personal exemptions under the Act. On December 26, 2017, the Internal Revenue Service (IRS) made a statement indicating that employees would not need to submit a new Form W-4.

IRS Statement:

"The IRS is working to develop withholding guidance to implement the tax reform bill signed into law on December 22. We anticipate issuing the initial withholding guidance in January, and employers and payroll service providers will be encouraged to implement the changes in February. *The IRS emphasizes this information will be designed to work with the existing Forms W-4 that employees have already filed, and no further action by taxpayers is needed at this time.*

Use of the new 2018 withholding guidelines will allow taxpayers to begin seeing the changes in their paychecks as early as February. In the meantime, employers and payroll service providers should continue to use the existing 2017 withholding tables and systems."

For a copy of the IRS announcement, click on the link provided below.

<https://www.irs.gov/newsroom/irs-statement-withholding-for-2018>

ADP Compliance Resources

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