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Regulatory Update



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IRS Releases 2019 Form W-4

On December 12, 2018, the Internal Revenue Service (IRS) released the 2019 version of Form W-4 (Employee's Withholding Allowance Certificate) and instructions. Overall, the final version of Form W-4 (2019), for use in tax year 2019, is similar to the 2018 version of the form and retains the use of withholding allowances.

Employees use IRS Form W-4 to establish marital status and withholding allowances for federal income tax withholding calculations. Many states use the Federal Form W-4 for state withholding purposes.

The Tax Cuts and Jobs Act (TCJA) made significant changes to tax rates, deductions, tax credits, and withholding calculations, beginning in 2018. New IRS withholding tables were published in January, and the 2018 Form W-4 was released in February. The IRS made few changes for 2018, and determined that employees would not be required to complete a new Form W-4 for 2018. However, it was strongly recommended and, for some people, it may still be advisable.

It was widely expected that major changes to the Form W-4 would be implemented for 2019 and proposed versions were released incorporating many of the changes required as a result of the TCJA. However, on September 20, 2018, the IRS announced via Notice 2018-92 that the major revisions previously proposed to the 2019 Form W-4, Employee's Withholding Allowance Certificate, will be delayed to 2020.

Some of the highlights of the 2019 Form W-4 are as follows:

Exemption from federal withholding. IRS Code Section 3402(n) allows an employee to claim exemption from income tax withholding if the employee certifies on Form W-4 that: (i) the employee incurred no liability for income tax for the preceding taxable year; and (ii) the employee anticipates that he or she will incur no liability for income tax for the current taxable year. An employee may claim exemption from withholding in the 2019 tax year if: (1) the employee was entitled to a refund of all federal income tax withheld for 2018 due to no tax liability; and (2) the employee expects a refund of all federal income tax withheld in 2019, because he/she expects to have no tax liability.

The Form W-4 Deductions, Adjustments, and Additional Income Worksheet has been updated to take into account the increase in the annual withholding allowance from \$4,150 to \$4,200 in 2019. Additionally, the worksheet has been updated to reflect the increase in the standard deduction for 2019 from: (1) \$24,000 to \$24,400 for joint filers and surviving spouses, (2) \$18,000 to \$18,350 for head of household, and (3) \$12,000 to \$12,200 for single filers and married filing separately.

Employees are generally required to furnish a new Form W-4 to their employer within 10 days if they experience a "change of status" that results in a reduction of withholding allowances. However, Notice 2018-92, 2018-50 IRB (Internal Revenue Bulletin), allows employees who experience a

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reduction in withholding allowances before May 1 — that was solely due to tax law changes in the TCJA — to not furnish a new W-4 to their employer until May 10, 2019.

Employees who fail to furnish a Form W-4 for 2019 will be treated as single with zero withholding allowances.

See the following links for additional information:

2019 Form W-4

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

IRS Announcement Delaying Major Changes to Form W-4 until 2020

<https://home.treasury.gov/news/press-releases/sm490>

IRS Notice 2018-92

<https://www.irs.gov/pub/irs-drop/n-18-92.pdf>

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