



IRS Form W-4 - What's New for 2020

The W-4 form is filled out by employees when they're hired, and periodically thereafter, to indicate their withholding status. This is the form that determines how much is withheld from the employee's paycheck as an advance payment on their eventual tax liability for the year. The withholding tables and formulas were designed to predict, as accurately as possible, what the employee's tax liability would be at the end of the year, so that both overpayments and underpayments would be kept to a minimum.

In the past, this was a simple matter of indicating your filing status and claiming a specific number of allowances. You may elect to take as few as zero allowances, or as many as you wish. The more allowances taken, the more is withheld, resulting in a smaller refund or a smaller amount due in April, and vice versa.

The tax act that was passed in December of 2017 included significant changes, such as the elimination of personal exemptions and an increase in the standard deduction, that made it more difficult to determine the optimum withholding amount based on your filing status and allowances. As a result, many employees enjoyed an increase in their weekly pay, but ended up with smaller refunds or unexpected liabilities when they filed their 2018 tax returns. The same problem exists in 2019, as the IRS did not change the formulas on which the withholding tables are based.

To mitigate this and make it easier to determine the appropriate amount to withhold, the IRS has made adjustments to both the withholding table structures and the W-4 form for 2020, and employees who are not happy with their withholding amounts should file a new W-4 with their employer, using the IRS's online calculator or the worksheet on the form to determine their correct withholding amount.

Employees can still make changes using the current version of the W-4 until December 31, 2019. After that, they will need to use the new form. Both employers and employees are advised to get an advance look at this change so that they can plan for the coming year while they still have these options. We will have more information available along with our tax updates next week. Meanwhile, here are some helpful resources:

IRS Online Estimator:

<https://www.irs.gov/individuals/tax-withholding-estimator>

IRS 2020 W-4 FAQs:

<https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4>

IRS 2020 W-4 Form:

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