

Changes to IRS Form W-4, Employee Withholding Certificate for 2020

Due to the Tax Cuts and Jobs Act of 2017, the Internal Revenue Service (IRS) has made significant changes to federal Form W-4 (Employee Withholding Certificate) for 2020. On December 5, 2019, the IRS released a new version of the form and instructions which can be found on the IRS website at <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

Because the 2020 Form W-4 is very different from previous versions, communicating the changes to employees will be challenging. A sample letter has been provided below and as a Microsoft Word document on the Great Plains website at <https://www.greatplainsumc.org/employmentstaffing>. The letter provides an explanation of why the form has changed, recommends that employees perform a “paycheck checkup” using the IRS’s Tax Withholding Estimator, and provides basic information about the new steps employees will take to complete the form.

Important info regarding the IRS Form 2020 W-4

- Changes to Form W-4 should **not impact clergy**. Clergy are considered self-employed for social security purposes and cannot use the withholding tables provided by the IRS. Instead, clergy should estimate their annual tax liability with assistance from their tax accountant. Clergy should pay for their tax liability in one of two ways:
 1. The clergy person should file quarterly estimate payments.
 2. If the clergy person elects to have the church withhold income taxes, they must select a fixed withholding amount that will be deducted from their paycheck each pay period.
- If the employee was hired before January 1, 2020, the IRS does not require a new form to be submitted. The employees withholding will continue to be based on the previously submitted W-4. The IRS has provided withholding tables that will be used for both sets of forms.
- If the employee wishes to change their withholding after January 1, 2020, they will need to use the new form.
- If a new employee does not submit a valid Form W-4, taxes will be withheld as if the employee is a single filer with no adjustments (per IRS regulations).
- For those employees who furnished forms before 2020 and who do not furnish a new one after 2019, you must continue to withhold based on the forms previously submitted. You are not permitted to treat employees as failing to furnish Forms W-4 if they don’t furnish a new Form W-4.
- The Tax Cuts and Jobs Act does not directly affect state tax withholding, though state tax laws and forms may change from time to time. Please visit the state department of revenue website for further information. Kansas: <https://www.ksrevenue.org/>. Nebraska: <https://revenue.nebraska.gov/>.
- Starting in 2020, the Nebraska Department of Revenue updated their process for withholding. The Nebraska form W-4N was developed due to significant differences between the federal and Nebraska laws regarding standard deductions and because personal exemptions are allowed on the Nebraska return.
- Current NE employees are not required to complete the new W-4N and employers will use the previous federal Form W-4 on file for Nebraska withholding purposes.

Sample Letter Explaining the 2020 Form W-4

To: (all employees or individually named employees)

From: (your name here)

Date: (fill in as appropriate)

Re: 2020 Form W-4

The 2020 Form W-4, *Employee's Withholding Certificate*, is very different from previous versions. This is due to the federal tax law changes that took place in 2018. The Internal Revenue Service (IRS) is not requiring all employees to complete the revised form and has designed the withholding tables so that they will work with both the new and prior year forms. However, certain employees will be required to use the new form: those hired in 2020 and anyone who makes withholding changes during 2020.

Even though the IRS does not require all employees to complete the revised form and even if your tax situation has not changed, we recommend you perform a "paycheck checkup" to see if you need to make adjustments to your current withholding. To conduct the checkup, you can use the IRS's Tax Withholding Estimator (www.irs.gov/W4App). To effectively use the estimator, it is helpful to have a copy of your most recent pay stub and tax return. It is likely that the estimator will be updated to account for the 2020 tax tables in early January. **Please note: if you do not submit a new form, withholding will continue based on your previously submitted form.**

Before completing the 2020 Form W-4, please read the instructions that are included with the form. You must complete Steps 1 and 5. Steps 2, 3, and 4 are optional, but completing them will help ensure that your federal income tax withholding will more accurately match your tax liability. Step 1 is for your personal information; Step 2 is for households with multiple jobs; Step 3 is used to claim tax credits for dependents; Step 4 is for other adjustments (additional income such as interest and dividends, itemized deductions that exceed the standard deduction, and extra tax you want withheld); and Step 5 is where you sign the form.

The IRS takes your privacy seriously and suggests that, if you are worried about reporting income from multiple jobs in Step 2 or other income in Step 4(a), you check the box in Step 2(c) or enter an additional withholding amount in Step 4(c). To determine the additional withholding amount, you can use the withholding estimator.

The IRS has also published Frequently Asked Questions that you may find helpful as you complete the form (<https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4>)