



WHAT'S THE DEAL WITH THE IRS' CHANGE TO THE W-4

Why did the 2020 W-4 change?

The 2020 Form W-4 changed to simplify the form and offer a more transparent and accurate withholding system. This is the most significant overhaul of the form in decades and will take some getting used to.

There are more straightforward questions on the worksheet that help employees more accurately determine how much they want to withhold.

Do all employees need to fill out a new W-4 for 2020?

No. Here's a breakdown of the most common employment scenarios related to the W-4:

Will need to complete the new W-4

- All new hires
- Employees who completed a Form W-4 before 2020 and want to make changes to their withholding in 2020

Will not need to complete the new W-4

- Existing employees hired before 2020

Employees who don't need to fill out a new W-4 will be fine because their employers will continue to determine their withholding based on information from the previously submitted Form W-4.

Also, keep in mind that existing employees can leave their prior W-4 on file indefinitely, so you want to be prepared to support the preceding W-4 and allowances indefinitely.

Is the new W-4 better?

If you ask most employers or employees this question, the answer is likely no. However, over time and with more information, it will hopefully become easier to use and understand while achieving more accurate and transparent withholdings.

If mistakes were made on previous pay periods, what do I do?

If you made mistakes on withholding during previous pay periods while you were figuring out the system, it's your responsibility to make the necessary corrections. If not, the IRS could put a spotlight on your business, which you don't want. Your

My third-party payroll provider didn't implement the new W-4 and withholding rules properly. What do I do?

employees could also be required to make those adjustments in 2021 with a more massive tax bill.

First, you want to ensure that they have more clarity before moving forward. Ultimately, any mistakes made will have to be fixed. At the end of the day, your company, not the payroll company, will be responsible for the numbers that come back, and if anything is incorrect, the IRS and your employees will expect you to make it right.

How do I handle employees who were rehired during the pandemic instead of on furlough or called back?

Employees who are rehired must complete a new W-4. However, employees returning after a furlough or call back don't have to complete a new form because they remained employees throughout the time they weren't working.

Do I need two payroll systems – one for the new W-4 and one for the previous W-4?

Not exactly.

You can choose to operate from two separate systems or use the same one. This option depends on what works best for you, but using the same system can simplify your payroll process.

How this works is that the same set of withholding tables are used for both forms. You can enter 0 or leave blank information from the old form when using the new form, while all data from the old records you have on file will remain.

What do I do about employees hired in 2020 who don't submit a Form W-4?

If a new employee doesn't submit a Form W-4, you will treat them as a single filer with no adjustments. Doing so will provide them with a single filer's standard deduction with no other personal information taken into account.

How do I explain to employees how to complete the new 2020 W-4?

Whether an employee needs to complete the new Form W-4 or chooses to, you don't want to just hand them the form and hope for the best. This can lead to inaccurate completion, frustration, and confusion due to the changes.

Instead, you want to have a plan in place for supporting employees as they complete the form, whether that's being present with them, offering a pre-recorded training, or having a go-to contact for W-4 questions.

Can I request that all of my employees, whether they were hired before 2020 or not, submit a new W-4?

Yes, you can request this, however, remember that this isn't a requirement.

With your request, you want to be sure to note the following:

- They are not required to complete the new W-4
- If they don't submit the new W-4, their withholdings will continue based on their previous W-4

If employees choose not to do so, you can't treat them as though they failed to furnish a Form W-4 because it's not the new Form W-4.