

IRS Opens 2020 with New W-4 for Employers

By Jonathan Eggert

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With the implementation of the Tax Cuts and Jobs Act of 2017, it was only a matter of time before the IRS issued a new W-4 Employee Withholding Certificate form. Employers use the W-4 to determine how much pay to withhold from an employee's check for federal tax purposes. In December 2019, the IRS issued its first major redesign of the W-4 since the Reagan administration. The new form is mandatory as of January 1, 2020, and available on the IRS' website [here](#). According to the IRS, the new design "reduces the form's complexity and increases the transparency and accuracy of the withholding system."

Employers are not required to complete new W-4s for all existing employees. Rather, the new form must be used for all "new employees first paid after 2019." Any existing employee wishing to adjust their withholding amount after January 1, 2020, must also complete the redesigned form. The IRS has advised that new employees first paid after 2019 who fail to furnish a W-4 should be treated as a single filer with no adjustments, meaning a single filer's standard deduction with no additional entries will be taken into account in determining withholding amounts. Importantly, employees who previously worked for an employer and are rehired in 2020 should also be treated as a single filer with no adjustments if they fail to provide a new W-4. There is no issue with having multiple versions of the form on file for different employees. While employers may ask all existing employees to complete a new W-4 for consistency purposes, employers cannot force them to do so.

Substantively, the biggest difference employers are likely to notice in the new form is the end of withholding allowances. In the prior form, withholding allowances coincided with exemptions from federal income tax for which an employee may have been eligible. The more allowances an employee claimed, the less money the employer withheld from the employee's paycheck. The IRS has replaced allowances with a new five-step process, which is intended to better align withholdings with the new tax law. Importantly, only Step 1, where the employee enters personal information and filing status, and Step 5, the signature declaration, are required for all employees. The remaining steps need only be completed if they apply to the individual employee.

In addition to its general complexity, employers commonly complained that the prior form required unnecessary assessment and explanation for single status filers with no dependents. The new form should reduce questions employers receive for the most straight-forward of filers. Unfortunately, the new form could prove more time consuming for employees with complex tax returns because it may request prior tax information. For example, the new form may require employees to know their total deductions for the prior year and the amount of non-wage income on their most recent returns in certain instances. Employers may have to adjust to employees taking the new form home to obtain the required information rather than quickly completing the form as part of an initial onboarding meeting. Employers

can also point employees to the IRS' Tax Withholding Estimator, available [here](#), when faced with questions on amounts that should be withheld.

As with any updated form, rule, or regulation, the new W-4 is likely to cause some initial confusion for employers. Burr & Forman's Labor & Employment team routinely helps employers with a variety of onboarding issues, including those related to the W-4.

To discuss further, please contact:

[Jonathan Eggert](#) at jeggert@burr.com or (843) 785-2171
or the Burr & Forman attorney with whom you regularly work.

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