

MEMO

To: Caregivers, Participants, Service Coordinators

From: UTS Fiscal Agent

Date: December 30, 2019

Re: New 2020 Form W-4

On December 5, the Internal Revenue Service (IRS) released the final version of the 2020 Form W-4, Employee's Withholding Certificate, with major revisions designed to make accurate income tax withholdings easier for employees starting January 1, 2020.

The new 2020 Form W-4 must be used by:

- All new employees hired on or after January 1, 2020
- Any employees who wishes to adjust their federal withholdings on or after January 1, 2020

Existing employees are not required to complete a new Form W-4 if no changes are being made to a pre-2020 Form W-4.

The new form includes a five-step process for determining employee withholdings. The only two steps required for **all** employees to complete are:

- Step 1, where the employee will enter personal information such as their name and filing status, and
- Step 5, where the employee must sign the form

Steps 2, 3, and 4 are optional, but if completed, will help ensure the employee's federal income tax withholdings more accurately matches their tax liability.

It is important to note that employees no longer claim withholding allowances on Form W-4. In the past, many employees changed the number of allowances they claimed to increase or decrease their tax withholdings. They will no longer be able to change their tax withholdings in this way.

Before any employee completes the 2020 Form W-4, they should read the instructions included with the form.

A 2020 Form W-4 with instructions is attached for your reference.

Wisconsin Withholding Taxes

Prior to changes to the Federal Form W-4, an employee could use Form W-4 for Wisconsin purposes if the employee's federal allowances equaled his or her Wisconsin exemptions. Since federal allowances have been removed, the newly redesigned Form W-4 cannot be used for Wisconsin purposes.

The following applies for Wisconsin withholding tax purposes beginning in 2020:

- All newly-hired employees must provide Form WT-4 to their employer
- Existing employees that change the number of their Wisconsin withholding exemptions must provide Form WT-4 to their employer
- Existing employees are not required to provide a Form WT-4 to their employer *if* the employee wishes to maintain the same number of Wisconsin withholding exemptions used in 2019

Form WT-4 is attached for your reference.

Frequently Asked Questions – 2020 Form W-4

Q-1. If a 2020 Form W-4 with only Steps 1 and 5 completed is a valid form, does that mean that Steps 2, 3, and 4 are optional?

A-1. Yes. While the IRS encourages employees to complete Steps 2, 3, and 4 if they apply to the employees' situation in order to have more accurate income tax withholding, employees are not required to complete them.

Q-2. How will employers withhold income tax based on a 2020 Form W-4 if the employee completes only Steps 1 and 5?

A-2. For employees who do not complete any steps other than Steps 1 and 5, employers will calculate withheld income tax based on the employee's filing status, taxable wage amount, and payroll frequency.

Q-3. Why did the IRS change the name of the 2020 Form W-4 from Employer's Withholding Allowance Certificate to Employee's Withholding Certificate?

A-3. The IRS changed the name because employees may no longer choose to claim a certain number of withholding allowances on the Form W-4. Before 2018, there had always been a balance between the number of personal exemptions a taxpayer could take on their personal tax return and the number of withholding allowances the taxpayer could take on the Form W-4 filed with their employer. Due to changes in the law (Tax Cuts & Jobs Act) you can no longer claim personal exemptions or dependency exemptions on Form 1040.

Q-4. – Are all employees required to furnish a new Form W-4?

A-4. No. Employees who have furnished Form W-4 in any year before 2020 are not required to furnish a new form merely because of the redesign. Employers will continue to compute withholdings taxes based on the information from the employee's most recently furnished Form W-4.

Q-5. My tax situation is simple. Do I have to complete all of the steps?

A-5. No. The form is divided into 5 steps. The only two steps required for all employees completing a new Form W-4, are Step 1, where you enter personal information like your name and filing status as shown or anticipated on your personal income tax return; and Step 5, where you sign the form. Complete Steps 2 -4 only if they apply to you. Doing so will make your withholdings more accurately match your annual tax liability.

Q-6. What happens if I only fill out Step 1 and then sign the form?

A-6. Your withholding will be computed based on your filing status, taxable wage amount and payroll frequency with no other adjustments.

Q-7. Is there a computer program I can use to help me complete Form W-4?

A-7. Yes. Click the link to the IRS website www.irs.gov/W4app.

Q-8. Are current employees required to complete and submit a 2020 Form W-4?

A-8. No. Employers can still use the latest valid pre-2020 Form W-4 current employees have on file.

Q-9. Does every employee have to complete a new Form W-4?

A-9. No. You're required to complete the new form only if you're hired by a new employer in 2020 or if you want to have more (or less) money withheld from your paycheck – perhaps because of a life change, like getting married or having a baby.

If a new W-4 is not completed, employers will continue to calculate withholdings based on the employee's most recent W-4 on file.

Q-10. Should I file a new W-4 in 2020 even if I don't have to?

A-10. The IRS encourages workers to review their paycheck withholdings each year and file a new W-4, if needed, to ensure enough money is being set aside for taxes. The IRS recommends that workers complete a "paycheck checkup" by using the IRS's online tax estimator to see if they need to adjust their withholdings. Click the link to go to the online tax estimator www.irs.gov/W4app.

Q-11. Why did the IRS redesign the Form W-4?

A-11. The Form W-4 was redesigned to align with tax law changes from the Tax Cuts and Jobs Act (TCJA) which included many tax changes including eliminating a taxpayer's ability to claim personal or dependency exemptions on Form 1040 which previously, allowances were tied to the amount of those exemptions. Consequently, allowances are no longer used on the redesigned Form W-4.

Q-12. Where do I claim "exempt" from withholding on the new 2020 Form W-4?

A-12. Qualifying employees may claim exemption from federal tax withholding by writing "**Exempt**" on Form W-4 in the space below Step 4(c) and completing Steps 1 and 5.

An employee is able to claim exemption if they meet both conditions below:

1. The employee owed no federal tax in 2019 and
2. The employee expects to owe no federal income tax in 2020.