The New Form W-4 in 2020

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“What is the difference between a taxidermist and a tax collector? The taxidermist takes only your skin.” -- Mark Twain
Taxes are as certain as death . . .

. . . and can even be scarier

If you think nobody cares about you . . .

. . . think again!
Rate was 1% on the first $20,000 of income ($515,000 in today’s dollars), which affected less than 1% of Americans.
From Simple to Complex

(Can you say the title of this form in one breath?)

“Tax complexity itself is a kind of tax” – Max Baucus
The Origins of Income Tax Withholding

Thanks for Nothing, Beardsley!

- Prior to 1942, Americans paid income tax in one lump on tax day (Mar. 15)
- In 1942, taxes increased substantially to pay for WWII
- The IRS was afraid Americans would not be able or willing to pay a larger tax bill all at once
- Fed official Beardsley Ruml introduced income tax withholding (the installment plan)
- Remember that name every time you look at a shrinking pay check

Beardsley Ruml
NY Fed Chair, 1942
The “Right” Amount Withheld – A Guessing Game

• **Exact Plan:** No refund or amount due on April 15 – nearly impossible to do

• **Big Refund Plan:** Extra withholding used as a forced saving plan (interest free loan to the IRS)

• **Big Amount Due Plan:** Interest free loan from IRS. But to avoid penalties/interest, make sure that:
  - You won’t owe more than $1,000
  - You paid in at least 90% of this year’s tax or 100% of last year’s tax, whichever is smaller

As your tax preparer, we promised you the biggest refund possible . . . which is why we instructed your employer to withhold 100% of your paychecks
Why a New Form W-4?

2017
TAX CUTS & JOBS ACT

PERSONAL EXEMPTIONS & WITHHOLDING ALLOWANCES
(Replaced with Bigger Standard Deductions & Child Tax Credits)
Will increase simplicity & accuracy

Zo... tell me... at what age did you develop this intense hatred for tax exemptions?
We used to claim allowances. The more allowances, the smaller the tax amount withheld.

My dad is an accountant so he deducted withholding tax on my allowances.
The NEW Form W-4

Employee’s Withholding Certificate

Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.

Give Form W-4 to your employer.

Your withholding is subject to review by the IRS.

Step 1:
Enter Personal Information

(a) First name and middle initial

(b) Last name

Social security number

Address

City or town, state, and ZIP code

[c] Single or Married filing separately

Married filing jointly (or Qualifying widow(er))

Head of household (Check only if you’re unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual)

Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.

Step 2: Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do only one of the following.

(a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3-4); or

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld.

TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

Step 3: Complete Steps 3-4(b) on Form W-4 for only ONE of those jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)

If your income will be $200,000 or less ($400,000 or less if married filing jointly):

Multiply the number of qualifying children under age 17 by $2,000

Multiply the number of other dependents by $500

Add the amounts above and enter the total here

Step 4 (optional): Other Adjustments

(a) Other income (not from jobs), if you want tax withheld for other income you expect this year that won’t have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income

(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here

(c) Extra withholding. Enter any additional tax you want withheld each pay period

Step 5: Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.

Employee’s signature (This form is not valid unless you sign it.)

Date

Employers Only

Employer’s name and address

First date of employment

Employer identification number (EIN)
Am I Required to Complete a New Form W-4?

• **NO (for most employees):** If you’ve done a W-4 before and are happy with your withholding amounts, the old form can still be used.
• **EXCEPTIONS:**
  • **MUST** complete new form if
    • Hired after 12/31/19
    • Previously claimed “exempt” from withholding
  • **SHOULD** complete new form if:
    • **Inaccurate Withholding:** too big refund or amount due last year
    • **Changes in Dependents:** get married, give birth or adopt, death of dependent, child turns 17, parent moves in, etc.
    • **Changes in Income:** you or your spouse added new job, will earn lots of investment, retirement, or unemployment income, etc.
    • **Changes in Deductions/Credits:** if itemized deductions will be greater than standard deduction ($12,400 S; $24,800 MFJ). E.g. large charitable or medical deduction; or IRA deduction, etc.

• The IRS suggests that everyone complete a new form for more accuracy
• But if you don’t need a new W-4, thanks for coming and have a great day!
Options for Completing the New Form

1. PAPER FORM: Google “2020 Form W-4”, download & print; deliver paper form to WWU Payroll Office

2. DIGITAL FORM: To complete the form in your pajamas, go to: PeopleSoft HR

. . . . available starting 1/13/20

“I live in my pajamas unless I’m going somewhere or someone is coming over. Even then, it’s iffy.”
The online W-4 in PeopleSoft follows the steps on the paper W-4 closely.
Step 3: Claim Dependents

View Instructions

If your income will be $200,000 or less ($400,000 or less if married filing jointly):

Multiply the number of qualifying children under age 17 by $2,000

Multiply the number of other dependents by $500

Other tax credits

Total

Step 4: Other Adjustments

View Instructions

(a) Other Income

(b) Deductions

(c) Extra Withholding

Claim Exemption from Withholding

I claim exemption from withholding for the year 2020 and I certify that I meet BOTH of the following conditions for exemption from withholding:

• Last year I owed no federal income tax.
• This year I expect to owe no federal income tax.

☐ Check this box if you meet both conditions to claim exemption from tax withholding

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Submit
Five Parts to the New Form W-4

Employee’s Withholding Certificate

Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.

Give Form W-4 to your employer.

Your withholding is subject to review by the IRS.

OMB No. 1545-0074

2020

Step 1: Enter Personal Information

(a) First name and middle initial

(b) Last name

(c) Social security number

Address

City or town, state, and ZIP code

Yes, my name matches the name on my social security card.

Part 1 and 5 must be completed

Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do only one of the following.

(a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3–4); or

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld.

TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

Parts 2–4 are optional but will increase accuracy
### Step 3: Claim Dependents

If your income will be $200,000 or less ($400,000 or less if married filing jointly):

- Multiply the number of qualifying children under age 17 by $2,000
- Multiply the number of other dependents by $500

Add the amounts above and enter the total here.

<table>
<thead>
<tr>
<th>Part</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>$</td>
</tr>
<tr>
<td>3</td>
<td>$</td>
</tr>
</tbody>
</table>

Parts 2–4 are optional but will increase accuracy.

### Step 4 (optional): Other Adjustments

(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won’t have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income.

(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here.

(c) Extra withholding. Enter any additional tax you want withheld each pay period.

<table>
<thead>
<tr>
<th>Part</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4(a)</td>
<td>$</td>
</tr>
<tr>
<td>4(b)</td>
<td>$</td>
</tr>
<tr>
<td>4(c)</td>
<td>$</td>
</tr>
</tbody>
</table>

### Step 5: Sign Here

Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.

Employee’s signature (This form is not valid unless you sign it.)

Date

Employers Only

Employer’s name and address

First date of employment

Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Cat. No. 10220Q

Form W-4 (2020)
First Common Scenario

1. **IF** you are single (with no dependents and one job)  
**OR** married (with no dependents and your spouse doesn’t work)  
**AND** are comfortable with slight over-withholding (bigger refund)  
→ Then complete Steps 1 and 5 (done in 30 seconds)  
*(withholding will be based on standard deduction with no adjustments)*
Second Common Scenario

2. If you have multiple jobs or your spouse works
   → Then complete Steps 1, 2, and 5
   (increased withholding because of higher tax rates from other jobs)

   Why does more than one job in a household affect withholding?
   Example: Suppose you had two jobs, each paying $9,000

<table>
<thead>
<tr>
<th>Income Bracket</th>
<th>Rate</th>
<th>Tax W/H on Job#1</th>
<th>Tax W/H on Job#2</th>
<th>Total W/H</th>
<th>Tax on $18k</th>
<th>Total Tax</th>
<th>Amt Owed</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10k</td>
<td>10%</td>
<td>$900</td>
<td>$900</td>
<td>$1,800</td>
<td>$1,000</td>
<td>$2,200</td>
<td>$400</td>
</tr>
<tr>
<td>$10k - $40k</td>
<td>15%</td>
<td></td>
<td>$1,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   Complete Steps 2a or b on W-4 for only one job (Steps 1 & 5 on other W-4s)

   TIP: To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.
**STEP 2A: IRS Online Estimator** (www.irs.gov/W4App)

**What you need:**
- Most recent paystubs (you & spouse)
- Estimate of major non-wage income & deductions
- 27 pay periods in 2020
- Previous tax return handy

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**Your Results**

Based on the information you entered

If you do not change your withholding, you are likely to get a refund.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected tax withholding</td>
<td>$8,343*</td>
</tr>
<tr>
<td>Anticipated tax obligation</td>
<td>$7,948**</td>
</tr>
<tr>
<td>Estimated over payment</td>
<td>$395</td>
</tr>
</tbody>
</table>

*This is your projected withholding for the year if you make no changes and do not submit a new Form W-4. This number includes Federal income tax withheld and any estimated tax paid.

**This is your expected tax liability for the 2020 tax year reported on the 2020 Form 1040 due to be filed by April 15, 2021. This number includes Federal income tax, additional Medicare tax, and if applicable.

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**Important Note:** The accuracy of this estimate depends on the accuracy of the information you provide. The IRS makes no guarantees about the accuracy of this estimate and accepts resulting from your use of the estimation.

Happy with your results? Then you don't need to do anything.

Want to adjust your results?

Use the slider below to select the approximate refund amount you'd like to get.

For a refund of approximately $395

This is your current projected refund amount. If you are happy with your results, you do not need to make any changes at this time.

How to Adjust Your Withholding

[DOWNLOAD PRE-FILLED FORM W-4](#)

Your Spouse's Job

To get your desired refund amount, you will need $125 withheld from each paycheck, $20 less than your current tax withholding.

How to Adjust Your Withholding

[DOWNLOAD PRE-FILLED FORM W-4](#)
| Step 2(b) — Multiple Jobs Worksheet  
*Keep for your records.* |

If you choose the option in Step 2(b) on Form W-4, complete this worksheet (which calculates the total extra tax for all jobs) on only ONE Form W-4. Withholding will be most accurate if you complete the worksheet and enter the result on the Form W-4 for the highest paying job.

**Note:** If more than one job has annual wages of more than $120,000 or there are more than three jobs, see Pub. 505 for additional tables; or, you can use the online withholding estimator at www.irs.gov/W4App.

1. **Two jobs.** If you have two jobs or you’re married filing jointly and you and your spouse each have one job, find the amount from the appropriate table on page 4. Using the “Higher Paying Job” row and the “Lower Paying Job” column, find the value at the intersection of the two household salaries and enter that value on line 1. Then, **skip** to line 3.

   1  $ 

2. **Three jobs.** If you and/or your spouse have three jobs at the same time, complete lines 2a, 2b, and 2c below. Otherwise, **skip** to line 3.

   a. Find the amount from the appropriate table on page 4 using the annual wages from the highest paying job in the “Higher Paying Job” row and the annual wages for your next highest paying job in the “Lower Paying Job” column. Find the value at the intersection of the two household salaries and enter that value on line 2a.

   2a  $ 

   b. Add the annual wages of the two highest paying jobs from line 2a together and use the total as the wages in the “Higher Paying Job” row and use the annual wages for your third job in the “Lower Paying Job” column to find the amount from the appropriate table on page 4 and enter this amount on line 2b.

   2b  $ 

   c. Add the amounts from lines 2a and 2b and enter the result on line 2c.

   2c  $ 

3. Enter the number of pay periods per year for the highest paying job. For example, if that job pays weekly, enter 52; if it pays every other week, enter 26; if it pays monthly, enter 12, etc.

   3  

4. **Divide** the annual amount on line 1 or line 2c by the number of pay periods on line 3. Enter this amount here and in Step 4(c) of Form W-4 for the highest paying job (along with any other additional amount you want withheld).

   4  $
### Married Filing Jointly or Qualifying Widow(er)

<table>
<thead>
<tr>
<th>Higher Paying Job Annual Taxable Wage &amp; Salary</th>
<th>Lower Paying Job Annual Taxable Wage &amp; Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - 9,999</td>
<td>$0 - 9,999</td>
</tr>
<tr>
<td>$10,000 - 19,999</td>
<td>$10,000 - 19,999</td>
</tr>
<tr>
<td>$20,000 - 29,999</td>
<td>$20,000 - 29,999</td>
</tr>
<tr>
<td>$30,000 - 39,999</td>
<td>$30,000 - 39,999</td>
</tr>
<tr>
<td>$40,000 - 49,999</td>
<td>$40,000 - 49,999</td>
</tr>
<tr>
<td>$50,000 - 59,999</td>
<td>$50,000 - 59,999</td>
</tr>
<tr>
<td>$60,000 - 69,999</td>
<td>$60,000 - 69,999</td>
</tr>
<tr>
<td>$70,000 - 79,999</td>
<td>$70,000 - 79,999</td>
</tr>
<tr>
<td>$80,000 - 89,999</td>
<td>$80,000 - 89,999</td>
</tr>
<tr>
<td>$90,000 - 99,999</td>
<td>$90,000 - 99,999</td>
</tr>
<tr>
<td>$100,000 - 109,999</td>
<td>$100,000 - 109,999</td>
</tr>
<tr>
<td>$110,000 - 120,000</td>
<td>$110,000 - 120,000</td>
</tr>
</tbody>
</table>

### Single or Married Filing Separately

<table>
<thead>
<tr>
<th>Higher Paying Job Annual Taxable Wage &amp; Salary</th>
<th>Lower Paying Job Annual Taxable Wage &amp; Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - 9,999</td>
<td>$0 - 9,999</td>
</tr>
<tr>
<td>$10,000 - 19,999</td>
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</tr>
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<tr>
<td>$30,000 - 39,999</td>
<td>$30,000 - 39,999</td>
</tr>
<tr>
<td>$40,000 - 49,999</td>
<td>$40,000 - 49,999</td>
</tr>
<tr>
<td>$50,000 - 59,999</td>
<td>$50,000 - 59,999</td>
</tr>
<tr>
<td>$60,000 - 69,999</td>
<td>$60,000 - 69,999</td>
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<tr>
<td>$70,000 - 79,999</td>
<td>$70,000 - 79,999</td>
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<tr>
<td>$80,000 - 89,999</td>
<td>$80,000 - 89,999</td>
</tr>
<tr>
<td>$90,000 - 99,999</td>
<td>$90,000 - 99,999</td>
</tr>
<tr>
<td>$100,000 - 109,999</td>
<td>$100,000 - 109,999</td>
</tr>
<tr>
<td>$110,000 - 120,000</td>
<td>$110,000 - 120,000</td>
</tr>
</tbody>
</table>
Third Common Scenario

3. **IF** you have non-spouse dependents (children or elderly parents, etc.)
   → Then complete Steps 1, 3, and 5
   *(withholding will be reduced by annual tax credits)*

Complete Step 3 on W-4 for highest-paying job (Steps 1 & 5 on other W-4s)

<table>
<thead>
<tr>
<th>Step 3: Claim Dependents</th>
<th>If your income will be $200,000 or less ($400,000 or less if married filing jointly):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Multiply the number of qualifying children under age 17 by $2,000 ➤ $</td>
</tr>
<tr>
<td></td>
<td>Multiply the number of other dependents by $500 . . . ➤ $</td>
</tr>
<tr>
<td></td>
<td>Add the amounts above and enter the total here . . . . . . . . . . . . . . . . . .</td>
</tr>
</tbody>
</table>

*Cheaper by the Dozen:*

With 12 kids, you could have over $100,000 of income and not pay any tax.
Fourth Common Scenario

4. IF you have other non-wage income that won’t have withholding (investment income or retirement income, etc.)
   → Then complete Steps 1, 4a, and 5 (or use Estimator for 4a)
      (increase withholding based on annual amount of other income)

Complete Step 4a on W-4 for highest-paying job (Steps 1 & 5 on other W-4s)

<table>
<thead>
<tr>
<th>Step 4 (optional): Other Adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won’t have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income.</td>
</tr>
<tr>
<td>4(a) $</td>
</tr>
<tr>
<td>(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here.</td>
</tr>
<tr>
<td>4(b) $</td>
</tr>
<tr>
<td>(c) Extra withholding. Enter any additional tax you want withheld each pay period.</td>
</tr>
<tr>
<td>4(c) $</td>
</tr>
</tbody>
</table>

If you don’t want to reveal “other income” to employer, use Estimator and enter extra amount on 4c, or make separate estimated tax payments (1040-ES)

“I’m just saying, Wilma. If our retirement income is “fixed,” how come we’re “broke”?”
5. **IF** you have deductions other than the standard deduction (e.g. large charitable contribution, medical expense, IRA deduction, etc.)

→ Then complete Steps 1, 4b, and 5 (use Estimator for 4b or Worksheet)

*(decrease withholding based on annual deductions)*

Complete Step 4b on W-4 for highest-paying job (Steps 1 & 5 on other W-4s)

| Step 4 (optional): | (a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won’t have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income. | 4(a) $
| Other Adjustments | | 4(b) $
| (b) **Deductions.** If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here. | | 4(c) $
| (c) Extra withholding. Enter any additional tax you want withheld each pay period. | |
Sixth Common Scenario

6. **IF** you want extra withheld for any reason (side gig income, etc.)
→ Then complete Steps 1, 4c, and 5)
*(increase withholding by exact amount)*

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**Step 4 (optional): Other Adjustments**

(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won’t have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income.

(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here.

(c) **Extra withholding.** Enter any additional tax you want withheld each pay period.

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*When you’re married to an accountant:*

“Honey, I’m not withholding. I’m busy.”

*:sigh:* Fine, I'll pay electronically...
Before you know it, the day of reckoning will be here . . . and hopefully everything will come out just right.

Questions are guaranteed in life; Answers aren't.