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that you'll need to know for 2020.

Pete Isberg • Dec. 11, 2019

<b>Form W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b> ▶ 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 <b>2020</b>
<b>Step 1:</b> <b>Enter</b> <b>Personal</b> <b>Information</b>	<b>1a</b> First name and middle initial		Last name	
	Home address (number and street)		<b>1b</b> Social security number	
	City or town, state, and ZIP code		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .	
	<b>1c</b> <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly <input type="checkbox"/> 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 through 4 if they apply to you; otherwise, skip to Step 5. See instructions on page 2.				
<b>Step 2:</b> <b>Account</b> <b>for Multiple</b> <b>Jobs</b>	<b>Caution:</b> The correct amount of withholding depends on income earned from all jobs in the household. If you: • Hold more than one job at a time, or • Are married filing jointly and both you and your spouse work, account for this below or you may owe additional tax when filing your tax return. (If you and/or your spouse have income from self-employment, see page 2.) <b>2 Multiple jobs.</b> Do <b>only one</b> of the following. • Use the calculator at <a href="http://www.irs.gov/W4App">www.irs.gov/W4App</a> for most accurate withholding; <b>or</b> • Use Worksheet 1 on page 3 and enter the result on line 4c below for roughly accurate withholding; <b>or</b> • If there are only two jobs in your household, you may check here. Do the same on Form W-4 for the other job. With this option, more tax than necessary may be withheld from your wages, but you generally won't have too little tax withheld. . . . . <input type="checkbox"/>			
Complete lines 3 through 4b on Form W-4 for <b>only one job in the household</b> . (Your withholding will be most accurate if you do this on the Form W-4 for the highest paying job.)				
<b>Step 3:</b> <b>Claim</b> <b>Dependents</b>	<b>3 Dependents.</b> If your income will be \$200,000 or less (\$400,000 or less if married filing jointly) (see instructions): • Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$ • Multiply the number of other dependents by \$500 ▶ \$			

It's year-end again, which for employers means having to simultaneously figure out what year-end tax reporting requirements have changes, and what new compliance challenges the new year may bring. Many business leaders may find themselves in survival mode, with so much to know about new tax reporting guidelines, new health care reporting and other significant legislative considerations.

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onboarding process around how people fill out their W-4. You could, for instance, offer them some time and a private room to call for tax help, or give them a day to complete the form at home.

Starting in 2020, new hires will have to use this updated W-4 Form. If your current employees are happy with their current tax withholding, they can continue the same approach. But if they want to change their withholding after the end of this year, they will need to use the new system.

### State Withholding

The [new Form W-4](#) could also affect state tax withholding, as state governments typically base their approach on the IRS system, and state governments are still figuring out how to accommodate the new W-4. Some states continue to use allowances on their withholding tables and rely exclusively on the IRS Forms W-4 for state tax purposes, yet there is no longer an entry box for allowances on the federal form. Expect some year-end changes from state governments as they plan their response to the new IRS Form W-4.

Some state governments are also reacting to the new \$10,000 limit on federal deductions for state/local taxes under the Tax Cuts and Jobs Act. One possible solution could be reducing income taxes and increasing payroll taxes, which remain deductible. New York launched an optional payroll tax, and Connecticut is running a study to determine whether it should enact a broad mandate de-emphasizing income taxes and shifting to a payroll tax. This could become more common as states figure out how to operate under the Tax Cuts and Jobs Act.

### Federal W-2s and State Deadlines

In 2020, the estimated Social Security maximum taxable earnings will be \$137,700, while the tax rate will remain the same for employers and employees at 6.2%.

Medicare tax rates will remain the same as they were in 2019: 1.45% for employers,

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forward, typically to Jan. 31. In addition, most states now require electronic W-2 filing from employers. Several states have also increased their penalties for late filing of W-2s, so this is something to be careful of in the coming months.

## ACA Compliance from States

The Tax Cuts and Jobs Act removed the individual mandate and federal tax penalty from the ACA. Supporters of the ACA believed this was a crucial part of making the healthcare law work. In response, several states are looking to create an individual mandate and tax penalty for their residents.

California, Massachusetts, New Jersey, Rhode Island, Vermont and Washington, D.C. have already passed laws, while other states are considering similar legislation. This could create extra headaches for employers — instead of dealing with one version of ACA compliance at the federal level, they would be required to navigate the rules and filing requirements in each state where they do business. Critically, most of the states that have enacted an individual mandate will also require employers to report to the state details of employee health coverage.

## Gig Economy and Worker Classification

In a recent court case, California reshaped its rules around the [gig economy and worker classification](#). The ruling tightened the standards for when a business can classify workers as independent contractors. For someone to count as a contractor in California going forward, all the following conditions must be met:

- “The person is free from control and direction of the hiring entity.”
- “The person performs work that is outside the usual course of the hiring entity’s business.”

- “The person is customarily engaged in an independently established trade,

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all the year-end report topics as you prepare for 2020.

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Payroll

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