

With the release of 2020 Form W-4 by the Internal Revenue Service on Dec. 4, 2019, employers should be prepared to assist and answer questions from employees about the process of completing the new document when the new form takes effect Jan. 1, 2020.

Prior to the release of the 2020 form, the IRS had not made significant changes to the W-4 since the 1980s. The new form impacts all employees hired after the effective date, as well as any current employee who chooses to change their federal tax withholding.

Changes to the 2020 Form W-4 intend to simplify the process of reporting the amount of federal withholding an employee wants from each paycheck, and it includes straightforward questions on worksheets that would help provide a more accurate calculation of their federal withholding.

[Get the 2020 W-4 printable form](#)

Among the most significant changes to the 2020 W-4 is that **allowances no longer exist**. The new form contains a series of numbered steps. Since changes to the form originally were proposed in 2017.

READ MORE:

- [Revised Form I-9 to Verify Workers for U.S. Employment](#)

Here are other major W-4 changes:

Step 1

What Kind of Personal Information is Required of Employees?

This section asks for employees to identify themselves (name, address, Social Security number, and how they plan to file – single, married filing jointly, etc.). It remains unchanged from previous W-4s.

Step 2

What Other Income must be accounted for?

This step is the most significant change from previous W-4s, and it calls for employees to account for money earned from other jobs, as well as a spouse's salary. This step will enable an employee to get the most accurate amount to withhold, and there are several options to take.

Employees should **only do one** of the options, which include using the [IRS Withholding Estimator](#) (most accurate) or the Multiple Jobs Worksheet (roughly accurate). Self-employed individuals also should use the estimator

The employees who would complete this step include those who hold more than one job at a time or are married and filing jointly (and the spouse works). The filer would then complete steps 3 to 4(b), and to get the most accurate withholding it should be done for the highest-paying job.

Can Employees Skip Any Steps?

Employees who have one job and are not married or are married and filing separately can skip step 2. Step 4 is optional (more details below).

Step 3

What are the Rates for Claiming Dependents?

These are tax credits, not allowances. The income levels changed as did the credits, and individuals now phase out of the tax credit at a higher income threshold. A filer with an income level of \$200,000 or less (\$400,000 or less if married filing jointly) will receive a \$2,000 child tax credit for any dependent younger than 17, as well as \$500 for any other dependent, including an older parent being cared for in the household.

Step 4

What Other Amounts Should Be Reported That Could Impact Withholding?

This step includes listing other sources of income that are not job related such as interest, dividends, and retirement income, as well as other deductions other than the standard deduction. Employees might have questions about this section because it allows visibility into their entire income amount.

This step is optional. It would give employees the most accurate withholding amount but it requires a lot of work to fill out the Deductions Worksheet.

Employees have the option in this section – 4(c) – to enter any **extra withholding** or additional tax they want taken out **each pay period**.

How Can an Employee Claim Exemption from Federal Withholding?

If an employee meets certain conditions (under General Instructions, Purpose of Form, Exemption from withholding), they may claim exemption. The 2020 W-4 does not have a specific labeled spot to record this. An employee who qualifies for exemption, **must only complete** steps 1(a), 1(b), which is their name, address, and Social Security number, and step 5 (signature).

They must also write the word “Exempt” beneath Section 4(c) and above the line that begins step 5. It should be noted that these employees will need to submit a new Form W-4 by Feb. 16, 2021.

Step 5

The form is not valid unless it is signed and dated by the employee.