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UPDATE: New Form W4 Effective for 2020

The finalized 2020 Form W-4 was released on December 4, 2019. You can find the final form here:

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

Due to the federal tax law changes that took place in 2018, the 2020 Form W-4, Employee's Withholding Certificate, is very different from previous versions. The Internal Revenue Service (IRS) is not requiring all current employees to complete the revised form and has designed the withholding tables so that they will work with both the new and prior-year forms. However, those employees hired after December 31, 2019 and anyone who makes withholding changes after December 31, 2019 will be required to use the new form.

Even though the IRS does not require all employees to complete the revised form and even if employee tax situations have not changed, it is recommend that employees perform a "paycheck checkup" to see if they need to make adjustments to their current withholding. To conduct the checkup, individuals can use the IRS's Tax Withholding Estimator at www.irs.gov/W4App. To effectively use the estimator, it is helpful to have a copy of a recent pay stub and tax return. It is likely that the estimator will be updated to account for the 2020 tax tables in early January. Please note: if employees do not submit a new form, withholding will continue based on their previously submitted W-4 elections.

Before completing the 2020 Form W-4, it is important to read the instructions that are included with the form. Employees must complete Steps 1 and 5. Steps 2, 3, and 4 are optional, but completing them will help ensure that federal income tax withholding will more accurately match tax liability. Below are the steps listed on the new Form W4 and what information is requested with each step:

- Step 1 is for entering personal information
- Step 2 is for households with multiple jobs
- Step 3 is used to claim tax credits for dependents
- Step 4 is for other adjustments (additional income such as interest and dividends, itemized deductions that exceed the standard deduction, and extra tax individuals may want withheld)
- Step 5 is where the form is signed and dated.

The IRS takes privacy seriously and suggests that if employees are worried about reporting income from multiple jobs in Step 2 or other income in Step 4(a), they should check the box in Step 2(c) or enter an additional withholding amount in Step 4(c). To determine the additional withholding amount, it is helpful to use the withholding estimator mentioned above.

The IRS has also published Frequently Asked Questions that may be helpful to complete the form and answer common questions. You can access these questions and the corresponding answers here: <https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4>

Employers are strongly advised not to provide any advice to employee(s) regarding how to complete their W4. This constitutes providing tax advice and could potentially be a legal risk. Employees are advised to reach out to their tax professional or check out the IRS resources mentioned above for specific questions.

Some states, including Minnesota, allow employees to use the federal Form W-4 for both federal and state withholding purposes, unless they have special state withholding circumstances. At this time, the MN W-4 has not changed, so new employees and those making changes after December 31, 2019, should complete both the 2020 Federal Form W-4 as well as the Minnesota W-4MN forms going forward.

We appreciate the opportunity to help you and your organization navigate through these changes and we advise you to reach out to us with any further concerns. Our payroll team, AEM Workforce Solutions, can be reached at 507-524-4282 and is ready to assist with any questions you may have.

Sincerely,

ABDO, EICK & MEYERS, LLP

Certified Public Accountants and Consultants

