

FAQs on the 2020 Form W-4

Major Changes to the 2020 Final Form W-4 Include:

- Number of withholding allowances eliminated
- New Marital Status - Head of Household (with associated tax tables)
- Lines to claim exemption from withholding were removed

What happened to withholding allowances?

Allowances are no longer used for the redesigned Form W-4 to increase transparency, simplicity, and accuracy. In the past, the value of a withholding allowance was tied to the amount of the personal exemption. Due to changes in law, currently you cannot claim personal exemptions or dependency exemptions.

My tax situation is simple. Are some questions optional?

Yes. The form is divided into 5 steps. The only two steps required for are Step 1, where you enter personal information like your name and filing status, and Step 5, where you sign the form. If Steps 2 – 4 apply to you, your withholding will more accurately match your tax liability if you complete them.

What happens if I only fill out step 1 and then sign the form?

Your withholding will be computed based on your filing status's standard deduction and tax rates, with no other adjustments.

Step 2 of the 2020 Form W-4

Employees with multiple jobs or spouses who also work are directed to do one of the following:

- a) Online Withholding Estimator <https://www.irs.gov/individuals/tax-withholding-estimator>;
- b) Multiple Jobs Worksheet; or,
- c) Check the box

The IRS emphasizes that if an employee opts for the checkbox, BOTH spouses should check the box. However, only ONE spouse should complete Steps 3 and 4(a) and (b), which are child and dependent tax credits, other income, and deductions.

Line 4a, Other Income

Line 4a instructions explain that taxpayers can have tax withheld from wage income to cover other income that doesn't have withholding, such as interest, dividends, and retirement income. The instructions note that "You should not include income from any jobs." Some employees may want to enter income earned from other sources as an independent contractor, from which there is no withholding. Employees can enter any other non-wage income that will be subject to income tax, to avoid the need to pay quarterly estimated taxes or even owe taxes at year end.

Line 4c: Additional Amount to Withhold Each Pay Period

Line 4c permits employees to enter an additional amount to withhold each pay period. This is one option by which employees can adjust for multiple wage earners in the family, or a second job, or other income. Line 4c is the only entry that asks for a per-payroll amount. All other entries are full-year amounts.

Steps 2, 3 and 4 are optional. Employees who prefer not to modify their withholding will be able to enter only their name, Social Security Number, address and filing status, and sign and date the form.

Claiming Exemption from Withholding

Although there is no longer a dedicated line on the 2020 Form W-4, qualifying employees may still claim exemption from withholding for 2020 if they meet both of the following qualifications: (1) owed no federal tax in 2019, and (2) expect to owe no federal income tax in 2020. To claim exemption from withholding, employees should certify that they meet both qualifications by writing "Exempt" on the 2020 Form W-4 in the space below Step 4c and completing Steps 1 and 5. Those who claim exemption from withholding will still need to submit a new Form W-4 annually, generally, by February 15 each year.