



Date: December 17, 2019
To: City of Newport Beach Employees
From: Shannon Espinoza, Acting Budget Manager
Subject: 2020 Form W-4

Major changes have been made to the 2020 Form W-4 and the system for computing 2020 federal income tax withholding. The Tax Cuts and Jobs Act of 2017 (TCJA) made radical changes in the way that taxable income is computed which requires major revisions in the methods for withholding federal income tax from employees paychecks. Withholding is now computed based on annualized income.

- **Am I required to complete a new 2020 W-4 form?**
 - Employees are NOT REQUIRED to file a new 2020 W4, unless the employee has a change in circumstances that either increases the taxpayers estimated income or reduces the taxpayers deductions and credits.
 - However, if an employee claimed “Exempt” on their 2019 W-4, & if the employee wishes to continue the “Exempt” status in 2020, a new 2020 W-4 form must be provided to the Payroll office by **February 16, 2020**. If we do not receive a new form by the deadline, per federal mandate we will withhold at the Single rate with no adjustments.
 - Employees must physically write in the word “EXEMPT” anywhere under Step 4 (c) on the new 2020 W-4 form to claim exempt withholding in 2020 (*there is no longer a box 7 to write “EXEMPT” in*).
 - Employees are eligible to claim Exempt if they are expected to have no federal tax liability in the tax year.
- **Has the IRS created tools to assist employees in estimating their 2020 withholding?**
 - The IRS has an online tool called the “Tax Withholding Estimator”. You can find the tool on [IRS.gov/w4app](https://www.irs.gov/w4app)
 - IRS Publication 15-T outlines Federal income tax withholding methods for use in 2020 at [IRS.gov/Pub15T](https://www.irs.gov/pub15t)
 - The Tax Withholding Estimator works for most taxpayers. Employees with more complex tax situations should use the instructions in Publication 505, Tax Withholding and Estimated Tax.

- **How does the new 2020 federal withholding system work?**
 - IRS Publication 15-T provides instructions for the new federal withholding procedures.
 - The “Employer’s Withholding Worksheet” in Pub 15-T, Page 4, **annualizes** the withholding calculations. The worksheet then converts the calculations back into **pay period withholding**.
 - The Worksheet sets forth **two** possible withholding tables:
 - Standard Withholding Rate Schedules: To be used by employees who have a 2019 (or earlier) W-4 on file, or employees who have filed a 2020 W-4 and Step 2 is **not** checked.
 - Form W-4, Step 2, Checkbox, Withholding Rate Schedules*: To be used by employees who have filed a 2020 W-4, where Step 2 **is** checked.

Form W-2, **Step 2, is the actual name of the IRS higher withholding table.*

California will still have allowances. If your tax situation has changed, we encourage employees to submit a new DE 4 form for California withholding along with their new W-4 form.

Payroll is not authorized to provide tax advice on the W-4 or DE 4. The new 2020 W-4 form along with the instructional IRS 15-T publication will be located in the payroll office for your convenience. Employees should consult with their individual tax advisor as to whether or not a new 2020 W-4 form should be filed, and how to properly complete the form.

Links to the new 2020 Federal W-4, California DE-4, and Federal Tax Withholding Estimator will be located on Payroll’s intranet page, with hard copies available in Payroll and HR. Tyler-Munis is currently revising ESS to accommodate the changes. A notice will be sent out to department Timecard Processors when employees are able to utilize ESS for 2020 W-4 changes.

Payroll will also be distributing the new 2020 W-4 form with the employee’s 2019 W2 by January 31st, 2020. Copies of the new form will be available in Payroll & HR beginning December 18, 2019.