

Department of Accounts

Payroll Bulletin

Calendar Year 2020

February 6, 2020

Volume #2020-03

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the Payroll
Bulletin.....*

✓ **2020 W-4 Changes**

The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please send an email to payroll@doa.virginia.gov.

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2020 W-4 Changes

2020 Withholding Change

As noted in Payroll Bulletin 2020-01, the IRS has finalized major changes to Form W-4. In the past, the value of withholding was tied to the amount of personal exemption. Due to changes in the law, new forms no longer allow personal or dependency exemptions. The redesigned form no longer asks an employee to report the number of withholding allowances that they are claiming.

Of note:

- Existing employees who submitted form W-4 in prior calendar years are NOT required to submit a new W-4 because of the redesign of the form.
 - Employees requesting changes to current withholding are required to use the new form.
 - New employees hired (or rehired) on or after January 1, 2020, are required to complete the new form.
 - Tax is calculated differently based on whether the 2020 W-4 applies or whether the Form W-4 prior to 2020 applies.
 - Employee records can now be updated for 2020 W-4, Employee Withholding Certificates. The change is NOT retroactive and taxes withheld year to date do not have to be recalculated.
 - Marital status and the checkbox in 2c of the new form dictate which table is used to calculate federal withholding tax. There are six tax tables: each marital status has a standard table and a higher rate table. If the box in 2c is checked, tax is calculated using the higher tax tables.
 - Taxes for employees who do not replace their existing W-4s is calculated based on the standard table, taking into account marital status and allowances based on number of exemptions entered.
 - Do not establish the new tax screen for employees who have not submitted new 2020 W-4 forms. If you do, their federal tax will not calculate correctly because the system will ignore the number of exemptions entered on HOBAD. Contact State Payroll Ops for assistance if HJT01 is added in error.
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2020 W-4 Changes, *continued*

**HOBAD,
Employee
Automatic
Taxing
Information**

This section refers to the set up for W-4s received after 2019. No changes are needed for the set up on W-4s received prior to the 2020 version. CIPPS screen HOBAD will continue to be used to enter the employee’s FIT Status and the FIT Marital Status; however, Head of Household only works with the new tax form. It is not an option on the pre-2020 forms and should not be used unless a new form has been received.

FIT Marital Status:

Please use the appropriate value, as follows:

- 1 – Single (Default)
- 2 – Married
- 3 – Head of Household (for use only with 2020 or later W4s)

FIT Exemptions:

Must be zero if employee has submitted a new form; otherwise, do not change.

FIT Extra Amount/Percentage:

Must be zero if employee has submitted a new form; otherwise, do not change. Additional amounts are entered on the new tax screen.

FIT Status:

Please use the appropriate value, as follows:

- A – employee has indicated that they are exempt from federal withholding by writing “Exempt” on the 2020 W-4 below Step 4(c)
- 4 – withhold an amount of FIT as calculated using withholding tables (Default)

**New Screen –
HJT01,
Employee
2020 W-4
Information**

In addition to screen HOBAD, the new federal tax withholding tables will require creation of an additional tax screen for the employee. The HJT01 must be added for employees with 2020 W4s even if data is not being entered. If this screen is not created for the employee, the federal withholding tax will not be calculated correctly. Do not add this screen for employees who have not submitted new W-4 forms.

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> GU _____ ON HJT01
                EMPLOYEE 2020 W-4 INFORMATION
_ COMPANY--> 00000 EMPLOYEE NO-----> 00000000000

HIGHER TAX SWITCH-----> _
ANNUAL OTHER INCOME---> 000000000.00
ANNUAL DEDUCTIONS-----> 000000000.00
ANNUAL TAX CREDIT-----> 000000000.00
EXTRA WITHHOLDING-----> 000000000.00

                                02/05/20  15:49:08  1 M3L1 CID5
A _____ 05/02
    
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2020 W-4 Changes, continued**New Screen
– HJT01,
Employee
2020 W-4
Information,
continued**

The new screen is called up using GUH (or GU) and HJT01. Use an “T”, followed by agency number and employee id number to add the screen for the employee. *Be careful when entering the employee id number because currently there is no edit to make sure you have entered a valid employee id number.* The following fields correspond to the information provided on the form in Steps 2(c) through 4(c). Enter the amounts exactly as provided on the form. Again, all employees submitting 2020 or later W-4 forms must have this screen added to their records, even if nothing is entered on the screen.

Higher Tax Switch:

Acceptable values are:

- Blank - 2020 or later form W-4 submitted and step 2 checkbox is not checked.
- Y - 2020 or later form W-4 submitted and step 2 checkbox is checked.

Annual Other Income:

- Enter step 4(a) amount from 2020 or later form W-4.

Annual Deductions:

- Enter step 4(b) amount from 2020 or later form W-4.

Annual Tax Credit:

- Enter step 3 amount from 2020 or later form W-4.

Extra Withholding:

- Enter step 4(c) amount from 2020 or later form W-4.

In the event you add this screen in error for an employee that has not submitted a 2020 or later W-4 form, please contact State Payroll Ops for assistance.

**Employees
claiming
Exempt from
Withholding**

Employees claiming exempt from federal withholding must submit new withholding certificates annually by February 15. Employees that claim an exemption from federal withholding will indicate that they are exempt by writing the word “Exempt” on the 2020 or later W-4 form underneath Step 4(c).

Wages must still be reported for employees exempt from federal withholding using the following setup:

H0BAD:

FIT Marital Status – 1, Single (Default).

FIT Status – A, wages will be reported on the W-2 but federal withholding will not be deducted from pay.

HJT01:

Screen must be added for the employee, but nothing is entered.

**New
Employees
who do not
submit a W-4**

Employees who are first paid after 2019 (including terminated employees rehired after 2019) are required to submit a new 2020 or later W-4 form. Those who do not submit new forms are treated as though they have submitted a form claiming Single, did not check the box in Step 2 and did not enter any values in Steps 3 (a) through 4(c).

H0BAD:

FIT Marital Status – 1, Single (Default)

FIT Status – 4, withhold an amount of FIT as calculated using withholding tables (Default)

HJT01:

Screen must be added for the employee, but nothing is entered.

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2020 W-4 Changes, *continued*

New Hire Interface, Menu-Link or HOBNE Agencies will need to add the new screen for all new employees. It will not be added to employee records as part of either of the new hire interfaces. New hires will continue to be automatically established on HOBAD based on the defaults of Single and zero exemptions, but HJT01 must be manually added for each new employee.

Payline Employees will be able to review contents of new W-4s in Payline in the near future. W-4 information is provided to employees in the Employee Profile screen.

Paycheckcity or IRS Calculator CIPPS contains an online tax checker (HNEXX); however, we recommend that agencies use one of the other methods available to confirm tax amounts.

Paycheckcity.com provides a free calculator that can be used to calculate employee's pay from gross to net:

<https://www.paycheckcity.com/calculator/salary>

The IRS has also provided an excellent tool that can be used to determine whether or not the correct amount of federal withholding has been deducted from an employee's pay. Enter the taxable wages and other information from the W-4 to see the amount that should be withheld. This tool also works for W-4s submitted prior to 2020.

The IRS Income Tax Withholding Assistant for Employers 2020 may be found on their website at:

<https://www.irs.gov/businesses/small-businesses-self-employed/income-tax-withholding-assistant-for-employers>

Here is a link to the IRS publication containing the tables and additional information related to calculation of withholding taxes:

<https://www.irs.gov/pub/irs-pdf/p15t.pdf>
