



# GMS Flash Alert



2020-037 | February 24, 2020

## United States - Wage Withholding: Proposed Regs, Form W-4, Online Tools

The U.S. Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) recently issued proposed regulations updating the federal income tax withholding rules to reflect changes made by the 2017 tax law commonly referred to as the "Tax Cuts and Jobs Act" (TCJA) and other legislation.<sup>1</sup>

The preamble to the proposed regulations further states that these regulations are designed to accommodate the redesigned 2020 [Form W-4, Employee's Withholding Certificate](#), and related wage withholding tables and computational procedures established by the IRS and reflected in [Publication 15-T, Federal Income Tax Withholding Methods](#).

In an effort to help employers and employees transition to the redesigned withholding system, the IRS recently launched two new online tools: the [Income Tax Withholding Assistant for Employers](#) and an updated [Tax Withholding Estimator](#).

---

### WHY THIS MATTERS

Prior to the TCJA, withholding allowances were tied to an employee's personal exemptions. The TCJA suspended personal exemptions, necessitating a redesign of the wage withholding system. Assignees are encouraged to review their withholding using the Tax Withholding Estimator to see if they need to file a revised Form W-4.

---

### Proposed Regulations and Form W-4

The proposed regulations implement changes made by the TCJA.<sup>2</sup> Accordingly, the regulations proposed changes to the existing regulations and in general would update those regulations to conform to the changes made by the TCJA and other legislation enacted since the regulations were last revised.

The preamble to the proposed regulations further states that these regulations are designed to accommodate the redesigned 2020 Form W-4 and related wage withholding tables and computational procedures established by the IRS and reflected in Publication 15-T.

According to a related IRS release,<sup>3</sup> the proposed regulations do not require employees to furnish a new Form W-4 solely because of the redesigned Form W-4. The IRS release further explains:

- Employees who have a Form W-4 on file with their employer from years prior to 2020 generally will continue to have their withholding determined based on that form.
- The redesigned Form W-4 no longer uses an employee's marital status and withholding allowances, which were tied to the value of the personal exemption. Because of changes made by the TCJA, employees can no longer claim personal exemptions on their tax returns. Instead, income tax withholding using the redesigned Form W-4 will generally be based on the employee's expected filing status and standard deduction for the year.
- The Form W-4 is also redesigned to make it easier for employees with more than one job at the same time or married employees who file jointly with their working spouses to withhold the proper amount of tax.
- Employees can choose to have itemized deductions, the child tax credit, and other tax benefits reflected in their withholding for the year.
- Employees can choose to have an employer withhold an additional flat dollar amount each pay period to cover, for example, income they receive from other sources that is not subject to withholding.
- Under the proposed regulations, employees now also have the option to request that employers withhold additional tax by reporting income from other sources not subject to withholding on the Form W-4.
- The proposed regulations also address a variety of other income tax withholding issues. For example, the proposed regulations provide flexibility in how employees who fail to furnish Forms W-4 are to be treated. Starting in 2020, employers must treat new employees who fail to furnish a properly completed Form W-4 as single taxpayers, and withhold using the standard deduction and no other adjustments (this differs from the pre-2020 treatment that required employers in this situation to withhold as if the employee was single and claiming zero allowances).
- The proposed regulations provide rules on when employees must furnish a new Form W-4 for changed circumstances, update the regulations for the lock-in letter program, and eliminate the combined income tax and FICA (Social Security and Medicare) tax withholding tables.

The proposed regulations were published in the *Federal Register* on February 13, 2020. Comments and requests for a public hearing are due by April 13, 2020.

---

## KPMG NOTE

The IRS recently revised [Notice 1392](#), *Supplemental Form W-4 Instructions for Nonresident Aliens*. The Notice provides special instructions when completing Form W-4 for compensation paid to nonresident employees performing dependent personal services in the United States. For 2020, nonresident alien individuals are advised to review and apply Notice 1392 to determine how to complete the 2020 Form W-4. The Notice modifies the instructions to Form W-4 to take into account the restriction on a nonresident alien's filing status, the restriction on claiming the standard deduction, and the restriction on claiming certain tax credits and deductions for certain nonresident aliens.

## New Online Tools

The IRS recently announced the launch of two new online tools: the [Income Tax Withholding Assistant for Employers](#) and an updated [Tax Withholding Estimator](#).

According to the IRS, the “Income Tax Withholding Assistant” is a spreadsheet-based tool designed to help employers, especially small businesses, easily transition to the redesigned withholding system.” The new Tax Withholding Estimator incorporates the changes from the redesigned Form W-4. Employees can fill out the Form W-4 from the Tax Withholding Estimator and give it to their employers.

## FOOTNOTES:

- 1 The [proposed regulations](#) [PDF 373 KB] (29 pages as published in the *Federal Register*).
- 2 For related coverage, see GMS [Flash Alert 2018-009](#) (January 12, 2018).
- 3 [IR-2020-28](#) “IRS, Treasury issue proposed regulations updating income tax withholding rules” (February 11, 2020).

\* \* \* \*

**The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.**

**The information contained in this newsletter was submitted by the KPMG International member firm in United States.**

[www.kpmg.com](http://www.kpmg.com)

[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.