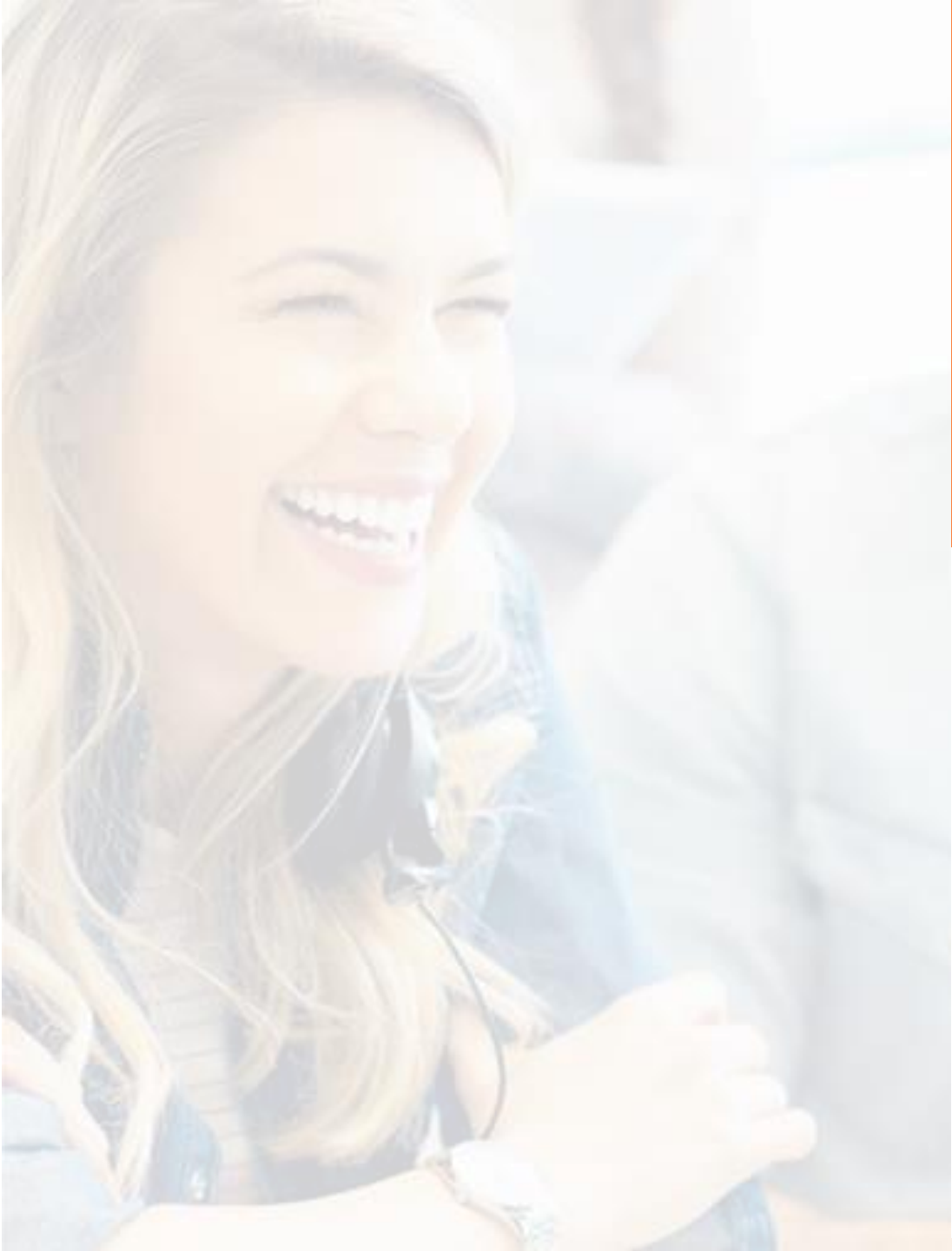


# W-4 Decoded

March 21, 2024





# Welcome & Housekeeping

- Welcome!
- Housekeeping
  - All participants are muted.
  - Questions are open! If we don't get to your question during the webinar, we will follow up with you!
  - This webinar will be recorded! You will receive a copy of the presentation & webinar recording.

*CTR is not providing any form of advice, including but not limited to legal, financial, regulatory, investment, or tax advice. Attendees are solely responsible for ensuring compliance with all applicable laws.*

# Background

Effective January 1, 2020, the W-4 form was changed to comply with tax law changes.

The W-4 form was also changed to make it simpler to complete but there's still confusion.

## New W-4 form 2024: Changes

- The IRS provides a [tax withholding estimator](#) for workers who have self-employment income (or if their spouse has self-employment income)
- The amounts on the Deductions Worksheet are updated for 2024

- 2020 and later Forms W-4: “New version” without withholding allowances
- 2019 and earlier Forms W-4: “Old version” with withholding allowances

# Where are we now?

- Employer Compliance: New hires that received their first paycheck after 2019 must use the 2020 or later version of the Form W-4.
- Other employees aren't required to complete a new form but will need to use a 2020 or later version when updating withholdings or making changes
- The amount that is withheld each pay is determined by tables and formulas published each year by the IRS





# 2019 (or earlier) vs 2020 (& after)

2019 or earlier

1. FILING STATUSES:

Single—**higher** withholding rate

Married—**lower** withholding rate

Married but withhold at the higher Single rate—  
same as Single, **higher**

3  Single  Married  Married, but withhold at higher Single rate.

**Note:** If married filing separately, check "Married, but withhold at higher Single rate."

2020 and after

1. FILING STATUSES

Single or **Married filing separately**—**highest withholding**  
rate

Married filing jointly or Qualifying surviving spouse—  
**lowest** withholding rate

Head of household—**middle** withholding rate

(c)  Single or Married filing separately

Married filing jointly (or Qualifying widow(er))

Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

# 2019 (or earlier) vs 2020 (& after)

## 2019 or earlier

2. You were able to claim exemptions to reduce withholding based upon the number of people you supported for the year. Each exemption **lowered** your withholding since you would claim those individuals on your annual Federal income tax return to reduce the amount of tax calculated.

## 2020 and after

- 2. You can indicate that you have more than one job or your spouse also works—this results in **higher** withholding to take into account the additional income from the other job(s).
- 3. You can claim a dollar amount credit for your dependents, whether children under 17, or other dependents. The amount claimed here **reduces** withholding by the amount claimed divided by the number of your pays in a year.

5 Total number of allowances you're claiming (from the applicable worksheet on the following pages) . . . . | 5 |

**Step 2:** Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

**Multiple Jobs or Spouse Works**  
Do **only one** of the following.

(a) Use the estimator at [www.irs.gov/W4App](http://www.irs.gov/W4App) for most accurate withholding for this step (and Steps 3–4); **or**  
 (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; **or**  
 (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld . . . . .

**TIP:** To be accurate, submit a 2020 Form W-4 for all other jobs. If you (or your spouse) have self-employment income, including as an independent contractor, use the estimator.

**Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs.** Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

<b>Step 3:</b>	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):	
<b>Claim Dependents</b>	Multiply the number of qualifying children under age 17 by \$2,000 ▶ \$	_____
	Multiply the number of other dependents by \$500 . . . . . ▶ \$	_____
	Add the amounts above and enter the total here . . . . .	<b>3</b> \$ _____

# 2019 (or earlier) vs 2020 (& after)

## 2019 or earlier

4. You could request an **additional** amount to be withheld each pay.

6 Additional amount, if any, you want withheld from each paycheck . . . . . 6 \$

## 2020 and after

4. You can make other adjustments  
If you have income that is not from a job you can enter the additional amount you expect to make and this will **increase** your withholding.

If you expect to be able to claim deductions beyond the Standard Deduction, you may enter an amount that will **reduce** your withholding.

<b>Step 4 (optional): Other Adjustments</b>	(a) <b>Other income (not from jobs).</b> If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . .	4(a)	\$
	(b) <b>Deductions.</b> If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . .	4(b)	\$
	(c) <b>Extra withholding.</b> Enter any additional tax you want withheld each pay period . . . . .	4(c)	\$



# Make Life Easier!

**The best solution: Use CTR to handle federal income tax calculations for you!**

**OR**

Tax Withholding Tables: Stick with one withholding method by “converting” 2019 and earlier W-4 forms into 2020 & later forms using the IRS computational bridge (The IRS publishes a guide for payroll departments to use to calculate withholding. It is rather lengthy but complete at <https://www.irs.gov/pub/irs-pdf/p15t.pdf> )



# CTR is Here to Help!

CTR provides the ability for your employees to **complete their W-4 updates online** through our Tax Wizard in Employee Self Service.

We also have the ability for NEW employees to complete their W-4 through CTR's Paperless Onboarding. This service is newly enhanced with the ability to have all new hire paperwork completed electronically online-whether it requires a fillable form or an electronic acknowledgement! After the employee completes onboarding, all employee documents will be saved in iSolved including the W-4.



# Employer Responsibility:

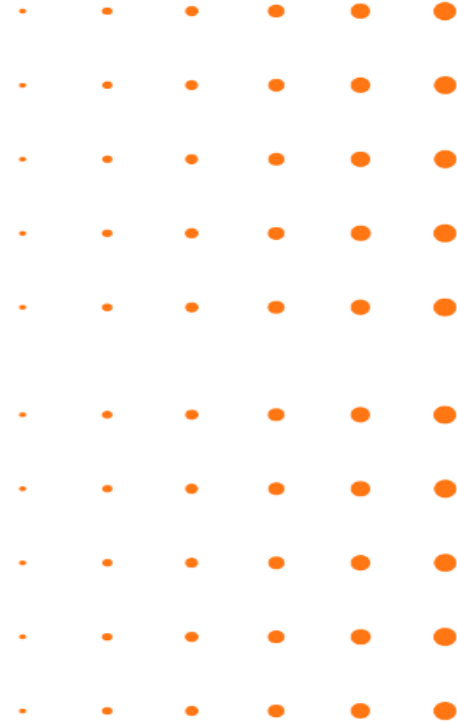
## Employee claims an exemption on their W-4

As an employer, it is your job to withhold taxes from employee wages.

If an employee gives you a Form W-4 that says they are exempt, don't withhold federal income taxes from their wages. Begin withholding federal income taxes again if an employee's exemption expires.

If you are not withholding federal income tax from an employee and that employee did not claim exemption on their Form W-4, you **may**\* have made an error. You might have accidentally checked an exemption box in your payroll software. Correct your error as soon as possible. The employee might need to adjust their withholding to prevent owing money on their annual tax return.

\*The employee may not have met the threshold for withholding



# Other “Exemption” Tips to follow



Claiming exempt on W-4 does not mean an employee is exempt from Social Security and Medicare taxes. It also does not mean that the employee should not have taxable wages on their W2 form. The employee is exempt from taxes, but not taxable wages. All wages earned by the employee should be reported on the W-2.



And, exempt on W-4 does not automatically apply to state and local income taxes. State W-4 forms vary, and only a handful of states use the federal W-4 for state withholding. A tax-exempt employee might need to fill out a different form for state or local withholding. Check your state and local laws for more information.

# Employer Responsibility:

## How long must an employer keep employee W-4 forms?

You must keep employee W-4 forms in your records for at least **four** years to verify that you are withholding federal income taxes correctly.



# When must a W-4 be completed?



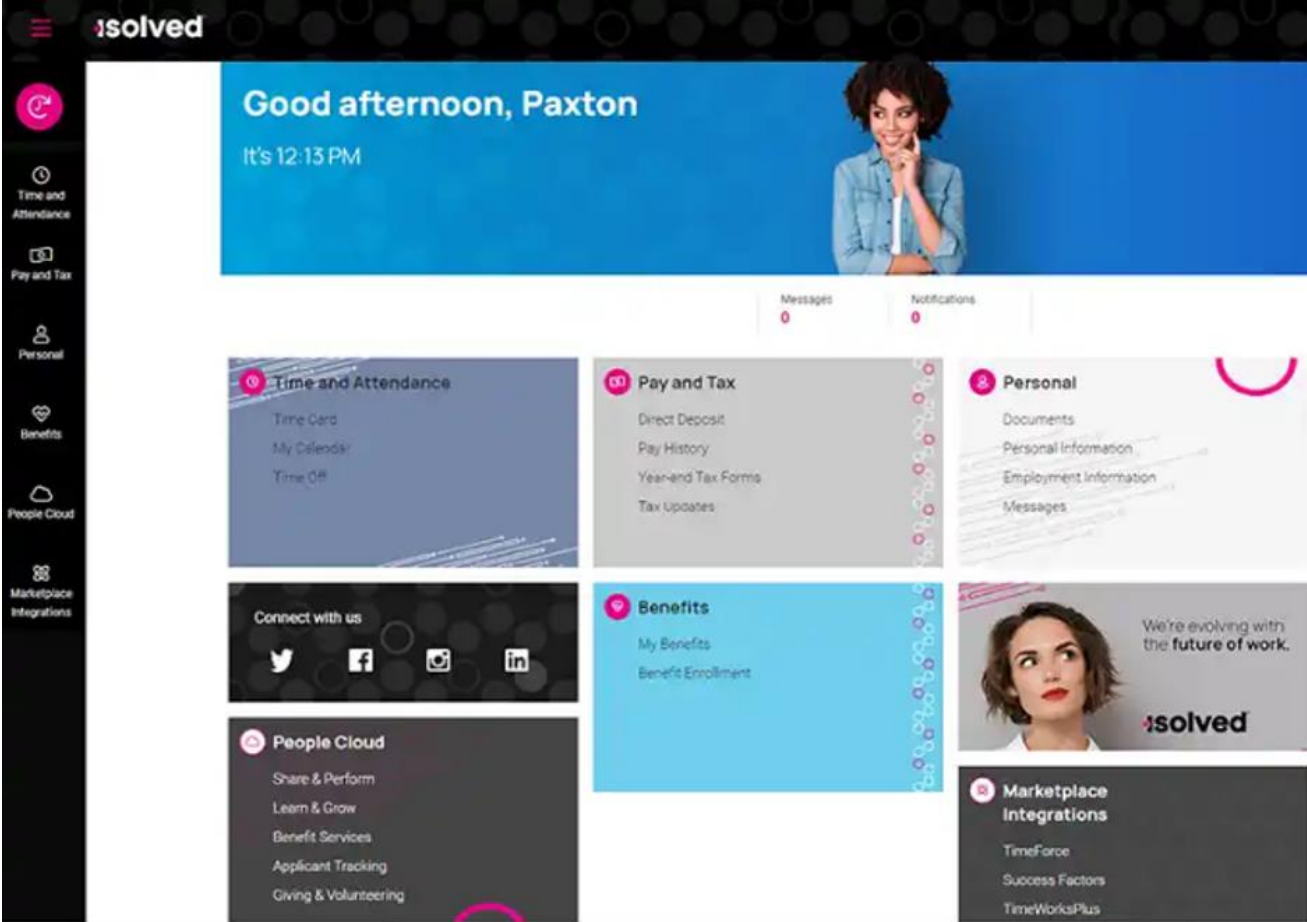
An employee must complete the form at hire before their employer gives them their first paycheck. You (as the employer) must start using the new W-4 by the start of the first payroll period ending on or after the 30th day from the date the employer receives it.

Here's an example: Josie gives you a new W-4 on November 10; she is paid on the 15th and 30th of each month. You must set up her employee record and pay her using the W-4 form no later than the December 15 payroll because the 30th day payroll is too late to meet the implementation requirement.

# How Does an Employee Update their W-4?

Employees may change the withholding amounts on a W-4 form at any time during the year but changes made later in the year will have less impact on taxes for that year. Employees usually submit a new W-4 for a change in personal circumstances, like marriage, divorce, or a change in income.

Self-service (tax wizard) makes this easier!



# Tax Advice

## DON'T DO IT!

While it may be tempting to help during a transitional period like this, remember employers are not allowed to provide “tax advice” to employees.

Direct your employees to the IRS' ready resources...  
and use CTR's Employee Guide to Completing the W-4!





# IRS Resources & Employee Guide

## [Tax Withholding Estimator](#)

> Developed by the IRS, this online tool helps taxpayers identify their withholding to help them have the right amount of tax withheld from their paychecks. [www.irs.gov/W4APP](http://www.irs.gov/W4APP)

## CTR Employee Guide to Completing W-4

- Step by step guide that includes the Tax Withholding Estimator & several IRS links that the employee can refer to



# The Employee Guide to Completing the W-4



## Comprehensive Guide!

- W-4 Step by Step
- FAQs
- IRS links/Withholding Links
  
- Let's take a look...

# Contact

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Thank You