



# American Data Group Inc.

## Form W4 2020

### Review of Application Changes

For tax year 2020, the IRS developed a new W4 form. The new W4 form must be used on new hires in calendar year 2020, or whose first pay is in calendar year 2020. Prior employees are NOT required to complete a new W4. If an employee wishes to make a change to their W4 in 2020, they MUST use the new W4 form. The form is available at <https://www.irs.gov/pub/irs-pdf/fw4.pdf>.

To work with the new form, ADG has changed a number of maintenance programs, reports, and the payroll calculation program. These changes also effect how data is stored for any payroll type code which utilizes the calculation code 31 – Use Tax Tables.

First, be sure to clone the old tax year into the new tax year using the \* feature in the Tax Master program in the Payroll File Maintenance Menu. You may then update the Federal Tax Tables with the values shown below.

## Tax Master Maintenance

For payroll year 2020 and beyond, the tax master has the following changes. For tax years prior to 2020, the screens remain the same.

- Tax Authority Code – has a new code, 'X – Federal Extra Tax'. **The Tax Authority Code 'F – Federal (Employee)' must only be assigned to a single tax code, the primary Federal Tax Withholding code.** The 'X' flag is used for additional taxes, those wages accumulating to a separate Federal Wages Extra Bucket, generally used to calculate the optional 22% tax rate on large payouts.

Static

W2 Authority Code: F - Federal(Employee)

Employer tax ID: NONE

Rounding Factor: F - Federal(Employee)

Flat Percentage Or Amount: C - FICA(Employee)

M - Medicare(Employee)

Y - FICA(Employer)

Z - Medicare(Employer)

Single Deductions

Deduction Type: S - State(Employee)

Deduction Flat Amount: L - Local(Employee)

Deduction Percentage: O - Other

Deduction Minimum Amount: E - EIC(Employee)

Deduction Max Amount: A - Medicare SurTax(Employee)

X - Federal Extra Tax(Employee)

- The tabs have been increased to allow 'HOH', Head of Household for all tax codes (post 2019). The Federal table (post 2019) will also include tabs of: 'Step 2c Single', 'Step 2c Married', and 'Step 2c HOH'. The HOH table will be used whenever the Filing Status is set to 'HOH' in the employee's recurring record associated with the tax table. The 'Step 2c' tables are used when the tax table authority is 'F - Federal (Employee)' and the associated employee recurring record is flagged as **W4 2020** with the **W4 Step 2c** also checked. The employee selects their filing status in 'Step 1c' of the new W4 from.

**View Tax Type Code Information**

Static	Single	Married	HOH	Step 2c Single	Step 2c Married	Step 2c HOH

- The table maintenance for Single, Married, and HOH, include a new field '**Annual Wage Deduction**'. The value is determined by the IRS and for payroll year 2020, Married is \$12,600 and Single/HOH is \$8,400. When the employee completes a new W4, the Annual Wage Deduction is used in the calculation process to reduced the employee's annual wage prior to determining the tax to withhold (when '**W4 Step 2c**' is not selected). **When a new W4 is submitted, the employee exemption number is no longer valid.** The tax table still allows for a '**Withholding Allowance**'; however, the value is only available to W4's submitted prior to 2020. The withholding allowance for 2020 remains at \$4,200. The value exists in the HOH maintenance, but will never be used because to select the HOH filing status, an employee would need to submit a new W4 form, which precludes using the exemption. The **Withholding Allowance** and **Annual Wage Deduction** values DO NOT display in the Step 2c tables because they are not included in the calculation when the W4 Step2 box is checked.

The table detail maintenance has not changed. See the tax rates for the appropriate year on the ADG website at <https://www.adginc.net/adginc/support-resources/help-documents/>

## Employee Maintenance

The Employee Maintenance program changed in regards to the employees W4 Married flag, and exemptions for Federal, State, and City. All values have been moved from the '**Other Information**' section to the recurring record for the associated tax type code. The values are automatically moved during the update process for all the new programs.

Other Information						
Employee Status:	A	Active	Default Daily Hours:	8.00	Hire Date:	12 / 01 / 2002
Pay Frequency:	1	Paid Monthly	Unemployment Code:		Leave Benefits Start:	01 / 01 / 2001
SSN:	*****0001		Union No:	A	Anniversary Date:	08 / 12 / 1988
Pay Periods:	12				Termination Date:	/ /

## Employee Recurring Transactions

The most significant change has been to the 'Recurring Transactions' of the employee. When adding or changing a tax type code record which uses calculation code '**31 – Tax Tables**' the screen information will be different.

Employee Number:	1	FLIPPER, JOE F
Type Code:		Federal Tax Withholding
Calculation:	Use Tax Tables	
Sub Code:	1	
Overriding Cost Center:	Use Default	
Processing Period:	1 - FED/STATE TAXES	
Miscellaneous Information:		
Payroll Start Date:	(blank for Immediate)	
Payroll Stop Date:		
Filing Status:	Head Of Household	
Per Check Adjustment (W4 Step 4c - (Step 3 / pays per yr)):	5.00	
Pre 2020 Federal Exemptions:	<input type="radio"/> W4 Pre 2020 0	
Wage Adjustment (W4 Step 4a - 4b):	<input checked="" type="radio"/> W4 2020+ <input checked="" type="checkbox"/> W4 Step 2c 5000.00	

## Recurring Federal Tax Type Code Maintenance

The Federal Tax Type Code (the type code with calculation code 31 and whose associated tax table has the tax authority code of 'F' ) provides for the updating of a number of new fields.

1. **Filing Status.** The filing status provides 3 options: Single, Married, Head-of-Household. Select the option based on the employee's new W4 Step 1c value. This value was defaulted from the Employee Master W4 Married flag.
2. **Per Check Adjustment (W4 Step 4c – ( Step 3 / pays per yr)).** This field is an enhanced version of the prior field for Tax Add-ons. The field now allows a negative amount so the system also verifies the total tax amount is not negative. **'W4 Step 4c'** is an addition to the per check tax amount calculated. **'W4 Step 3'** is a reduction in total taxes based on dependents. This amount must be divided by the number of pays per year to determine the per check tax reduction. **W4 Step 4c – ( Step 3 / pays per yr) results in a net change to the calculated tax per check.**
3. **W4 Pre 2020 Radio Button.** If selected, you are able to maintain the **'Pre 2020 Federal Exemptions'** field. The value is defaulted from the conversion program during the system update. The value should never be changed, since to do so, the employee would need to submit a new W4 which no longer provides the option.
4. **W4 2020+ Radio Button.** By selecting this option, you are notifying the system that the employee is now using the new W4 form. When the option is updated, the prior exemption field will be changed to 0.
  1. **W4 Step 2** check box. Check this box if the employee has checked the Step 2c box on the new W4. This causes the payroll calculation program to use one of the 3 new Step 2c tax rates in the tax master.
  2. **Wage Adjustment (W4 Step 4a - 4b)** - enter the amount by subtracting W4 Step 4b from W4 Step 4a. **This amount is NOT adjusted by the number of pays per year.**

## Recurring Non-Federal Tax Type Code Maintenance

The Non-Federal (State and Local) Tax Type Codes (the type code with calculation code 31 and whose associated tax table has 'S' or 'L' ) has the following screen changes.

Employee Number:	1	FLIPPER, JOE F
Type Code:		Colorado Withholding
Calculation:	Use Tax Tables	
Sub Code:	1	
Overriding Cost Center:	Use Default	
Processing Period:	1 - FED/STATE TAXES	
Miscellaneous Information:		
Payroll Start Date:		
Payroll Stop Date:		
Filing Status:	Married	
#Exemptions:	5	
Tax Add-on:	0.00	

1. **Filing Status:** The filing status provides 3 options: Single, Married, Head-of-Household. Select the option based on the employee's new W4 Step 1c value.
2. **#Exemptions:** The number of exemptions to be applied. The field is defaulted with the State or City exemptions from the Employee Master
3. **Tax Add-On:** Same value as was previously used in the calculation.
4. The coverage start, stop, and qualifying event dates were removed.

## Payroll Calculation

The calculation program was changed to take into account the payroll year and new values located in the employee recurring record ( Filing Status, # of Exemptions, W4 Step 2, W4 Wage Adjustment).

If an employee has selected to use the new W4, the employee's taxable wage is calculated based on the type code accruals (no changes) and multiplied by the employees' number of pays per year to determine an annual wage.

If W4 Step 2 is selected, the tax table used will be the Step 2 rate for the filing status (Married, Single, HOH). The employee's annual wage will have the Wage Adjustment value added to it.

If the W4 Step 2 is not selected, the tax table used will be based on their filing status (Married, Single, HOH). The annual wage will be reduced by the tax table's wage reduction value, and then increased base on the Wage Adjustment value. The rate and amount are determine from the new adjusted annual wage.

Once the tax is calculated, it will be divided buy the number of pays per year for the employee to determine the payment withholding amount.

The payment withholding amount is then adjusted by the Per Check Adjustment to provide the actual tax amount to be withheld.

If a prior year calculation is required for any employee who has updated their W4 information with the new 2020 form:

- If Head-of-Household filing status was selected, the prior to 2020 calculation will use the single tables since HOH did not exist.
- No exceptions will be processed since with selecting the new form, the number of exemptions has been dropped (changed to zero).

**Example 1:**

Check Taxable Wage:	\$3,000	Annual Wage	\$78,000.00
Employee Pays/Year:	26	Married Wage Reduction	-12,600.00
Filing Status	Married	W4 Wage Adjustment	5,000.00
W4 2020+:	checked	Adjusted Annual Wage	\$70,400.00
W4 Step 2c:	un-checked	Tax Detail Base	1,975.00
Wage Adjustment (4a-4c)	\$5,000	Tax Additional @12%	4,650.00
Per Check Adjustment	\$-50	Annual Tax	6,625.00
		Per Check Rate	\$254.81
		Per Check Adjustment	-50.00
		Check Tax Withholding	204.81

**Example 2:**

Check Taxable Wage:	\$3,000	Annual Wage	\$78,000.00
Employee Pays/Year:	26	W4 Wage Adjustment	5,000.00
Filing Status	Married	Adjusted Annual Wage	\$83,000.00
W4 2020+:	checked	Tax Detail Base	4,617.50
W4 Step 2c:	checked	Tax Additional @22%	6,704.50
Wage Adjustment (4a-4c)	\$5,000	Annual Tax	11,322.00
Per Check Adjustment	\$-50	Per Check Rate	\$435.46
		Per Check Adjustment	-50.00
		Check Tax Withholding	385.46