

Federal Income Tax Withholding Methods

Cross References

- IRS Pub. 15-T
- <https://www.irs.gov/pub/irs-dft/p15t--dft.pdf>

The IRS has released a draft copy of new IRS Pub. 15-T, *Federal Income Tax Withholding Methods*, for use in calculating withholding in 2020. The way employers will figure federal income tax withholding for 2020 Form W-4, *Employee's Withholding Certificate*, is changing to match the changes to the new form. IRS Pub. 15-T contains a look at the new employer steps to figure federal income tax withholding.

The 2020 Form W-4 has been redesigned to reduce the form's complexity and to increase transparency and accuracy in the withholding system. Beginning with the 2020 Form W-4, employees will no longer be able to request adjustments to their withholding using withholding allowances. Instead, Form W-4 will allow employees to provide their employers with amounts to increase or reduce taxes and amounts to increase or decrease the amount of wage income subject to income tax withholding.

The computations described in IRS Pub. 15-T will allow employers to figure withholding regardless of whether the employee provided a Form W-4 in an earlier year or will provide a new Form W-4 in 2020. The publication also allows employers to figure withholding based on their payroll system and withholding method of choice.

The publication goes into detail explaining the following methods that employers may use for calculating 2020 withholding:

- 1) Percentage Method Tables for Automated Payroll Systems,
- 2) Wage Bracket Method Tables for Manual Payroll Systems with Forms W-4 From 2020 or Later,
- 3) Wage Bracket Method Tables for Manual Payroll Systems with Forms W-4 From Before 2020,
- 4) Percentage Method Tables for Manual Payroll Systems with Forms W-4 From 2020 or Later, and
- 5) Percentage Method Tables for Manual Payroll Systems with Forms W-4 From Before 2020.

Those who work with payroll departments are encouraged to review the new IRS Pub. 15-T before the beginning of the first 2020 pay period.