

Form W-4

IRS proposes significant changes for 2019

Income Tax Withholding

Payroll Period

(b) MARRIED person —
If the amount of wages (after subtracting withholding allowances) is:

Not over \$152

\$152
\$479
\$1,479
\$2,832

But not over —
— \$479
— \$1,479
— \$2,832
— \$4,235
— \$7,443

15

7:00

7:30

8:00

8:30

9:00

9:30

10:00

EY

Building a better working world

Draft 2019 Form W-4 reveals planned overhaul of federal income tax withholding calculation



The IRS has recently published a draft of the 2019 [Form W-4](#) and [instructions](#) containing information concerning the proposed changes in the federal income tax withholding calculation starting next year.

As it pertains to marital status, employees would have three marital status options:

1. Single or married filing separately
2. Married filing jointly
3. Head of household

More significantly, in lieu of claiming withholding allowances, the draft Form W-4 would give employees the option of providing annual dollar amounts for:

1. Additional nonwage income, such as interest and dividends
2. Deductions from income for the household, such as itemized or other deductions
3. Income tax credits expected for the tax year
4. For employees with multiple jobs, total annual taxable wages for all lower-paying jobs in the employee's household

Before implementing the income tax withholding calculation in Publication 15 or Publication 15-A, employers would be required to adjust the employee's pay period taxable wages according to the annual dollar amounts entered on lines 5 through 8 of the draft Form W-4. The IRS provides an example of this computation in the draft Form W-4 instructions (page 9).

If an employee leaves lines 5 through 8 of Form W-4 blank, federal income tax would be withheld according to the normal federal income tax withholding calculation, with a default of two withholding allowances for single or married filing separately and three withholding allowances for married filing jointly or head of household.

The revised Form W-4 and this updated method of computing federal income tax withholding would apply to all new employees hired on and after January 1, 2019, and to any existing employees who change their Form W-4 at any time next year.

Of interest, the draft Form W-4 instructions state that existing employees would not be required to complete the new Form W-4; rather, employers would be allowed to use the Form W-4 submitted in prior years. As with 2018, the IRS explains that the 2019 federal income tax withholding tables would be designed to work with a Form W-4 published prior to 2019, which features employees' claimed allowances on line 5.

Background

Under the Tax Cuts and Jobs Act (TCJA) of 2017 and effective January 1, 2018, through December 31, 2025, the personal exemption deduction is suspended; however, the law allows the IRS to administer the federal income tax withholding rules under IRC §3402 without regard to this provision for tax years beginning before January 1, 2019. (TCJA §11041.)

The 2018 Form W-4 continues to contain line 5 on which employees can claim withholding allowances. The IRS explained that the 2018 federal income tax withholding is designed to work with Forms W-4 submitted prior to 2018, and there is currently no requirement that employees submit a revised Form W-4 merely because they claimed withholding allowances. (IR-2018-36.)

Ernst & Young LLP insights

Payroll software providers will need to begin immediately to consider how systems would be configured to accommodate the proposed federal income tax withholding calculation. Potential changes to electronic Form W-4 systems should also be considered.

The proposed Form W-4 would be far more complex, and employees could struggle to understand how to complete it correctly. Accordingly, employers should consider the extent they would provide Form W-4 training or other assistance to their employees.

Finally, the draft Form W-4 would likely not conform to state income tax withholding purposes. Accordingly, states that currently use the Form W-4 could require a unique state form to be used.

For more information on the Tax Cuts and Jobs Act and its impact on employers and the 2018 Form W-4, download our special report [here](#).

The image shows a draft of the 2018 Form W-4, titled "Employee's Withholding Allowance Certificate". The form is marked with a large "DRAFT" watermark and "DO NOT FILE" text. It includes the following sections:

- Header:** Form W-4, Employee's Withholding Allowance Certificate, OMB No. 1545-0044, 2019.
- Instructions:** Give Form W-4 to your employer. Go to www.irs.gov/FormW4 for instructions and the latest information. The amount of, or exemption from, withholding is subject to review by the IRS.
- Form Fields:**
 - 1 Your first name and middle initial, Last name
 - 2 Your social security number
 - 3 Single or married, filing separately, Married filing jointly, Head of household
 - 4 If your last name differs from that shown on your social security card, check here. You must call 800-722-6213 for a replacement card.
 - 5 Enter the amount, if any, of nonwage income not subject to withholding, such as interest and dividends
 - 6 Enter the amount, if any, of itemized and other deductions
 - 7 Enter the amount, if any, of tax credits, such as the child tax credit
 - 8 Complete this line only if you have multiple jobs at the same time or file as married filing jointly and both you and your spouse work; otherwise, leave it blank. Enter the total pay of all lower paying jobs
 - 9 Additional amount, if any, you want withheld from each paycheck
 - 10 I claim exemption from withholding for 2019, and I certify that I meet both of the following conditions for exemption:
 - Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and
 - This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.If you meet both conditions, write "Exempt" here

- Declaration:** Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.
- Signature Section:** Employee's signature (This form is not valid unless you sign it.), Date, Employer's name and address (Employer: Complete boxes 11 and 13 if sending to IRS and complete boxes 11, 12, and 13 if sending to State Directory of New Hires.), First date of employment, Employer identification number (EIN).
- TIP:** Use this form so that your employer can withhold the correct amount of income tax from your pay. See the instructions and worksheets before completing this form. You can find the latest instructions and information at www.irs.gov/FormW4. You also can use the calculator at www.irs.gov/W4App to complete your Form W-4.
- Footer:** For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 15220G Form W-4 (2018)

Ernst & Young LLP Employment Tax Advisory contacts

Bryan De la Bruyere
bryan.delabruyere@ey.com
+1 404 817 4384

Julie Gilroy
julie.gilroy@ey.com
+1 312 879 3413

Ken Hausser
kenneth.hausser@ey.com
+1 732 516 4558

Kristie Lowery
kristie.lowery@ey.com
+1 704 331 1884

Ali Master
ali.master@ey.com
+1 214 756 1031

Chris Peters
christina.peters@ey.com
+1 614 232 7112

Debera Salam
debera.salam@ey.com
+1 713 750 1591

Debbie Spyker
deborah.spyker@ey.com
+1 720 931 4321

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ED None

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