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# **BradyMartz**

## **The New W-4 (The IRS Stole My Allowance) & COVID-19 Tax Provisions & the New Form 941**

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# Presenter Information



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- **This presentation is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.**
- **This presentation is not intended to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties.**

# Topics Covered

- 1. Reasons for Changing the Form W-4**
- 2. Overview of the Revised Form W-4**
- 3. What You need to Know When Talking to Employees**
- 4. Walk through some Withholding Calculations**

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# Reasons for Changing the Form W-4

# Reasons for Changing the W-4

## ▪ Tax Cuts and Jobs Act

- Tax rates were (mostly) reduced
- The standard deduction was essentially doubled (making itemizing less likely)
- State and Local Tax Deductions were capped at \$10,000 (making itemizing even less likely)
- The personal exemption was eliminated (this is probably the biggest reason for the updated W-4)
- The child tax credit was doubled (From \$1,000 to \$2,000) and the phase out was nearly quadrupled (From 110k to 400k-married)

# Main Goals of the IRS with the New W-4

- **Move away from an allowance system that is tied to the personal exemption (which was repealed)**
- **To provide a more simplistic approach in estimating a withholding amount (that's up for debate)**
- **Make withholding more accurate**
  - This could be good and bad – many people rely on a tax refund, and redesigning the W-4 to make withholding more accurate could drastically reduce refunds by more closely matching withholding to actual tax liability.
- **Avoid a “doubling up” of the standard deduction/child tax credit, etc. – comprehensive example of this later**

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# Overview of the Revised Form W-4

Form <b>W-4</b>	<b>Employee's Withholding Certificate</b>		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. ▶ Give Form W-4 to your employer. ▶ Your withholding is subject to review by the IRS.		2020
<b>Step 1:</b> Enter Personal Information	(a) First name and middle initial	Last name	(b) Social security number
	Address		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .
	City or town, state, and ZIP code		
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> 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.)		
Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.			
<b>Step 2:</b> Multiple Jobs or Spouse Works	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. Do <b>only one</b> of the following. <b>(a)</b> Use the estimator at <a href="http://www.irs.gov/W4App">www.irs.gov/W4App</a> for most accurate withholding for this step (and Steps 3-4); <b>or</b> <b>(b)</b> Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; <b>or</b> <b>(c)</b> 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 . . . . . <input type="checkbox"/> <b>TIP:</b> 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> Claim Dependents	If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):		
	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 . . . . .		3
<b>Step 4 (optional):</b> Other Adjustments	<b>(a) 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)
	<b>(c) Extra withholding.</b> Enter any additional tax you want withheld each pay period . . . . .		4(c)
<b>Step 5:</b> Sign Here	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.		
	▶ Employee's signature (This form is not valid unless you sign it.)		▶ Date
<b>Employers Only</b>	Employer's name and address	First date of employment	Employer identification number (EIN)
For Privacy Act and Paperwork Reduction Act Notice, see page 3. <span style="float: right;">Cat. No. 10220Q <span style="margin-left: 100px;">Form W-4 (2020)</span></span>			

# STEP 1: Employee Info

<b>Step 1: Enter Personal Information</b>	(a) First name and middle initial	Last name	(b) Social security number
	Address		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .
	City or town, state, and ZIP code		
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> 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.)		

- We now enter the expected filing status rather than a marital status (which means Head of household is now an option)
- This step is mandatory

# Step 2 – Multiple Jobs or Spouse Works

**Step 2:  
Multiple Jobs  
or Spouse  
Works**

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.

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.)

- **If the employee works multiple jobs, or if the employee is married and his/her spouse also has earnings, there will likely need to be additional withholding.**

### 3 Methods to account for additional wage income

#### 1. Have the employee go to [www.irs.gov/W4App](http://www.irs.gov/W4App)

- The link provided will ask the employee a series of questions/inputs
- It will walk the employee through their YTD payroll, YTD withholding, etc.
- It will also walk the employee through anticipating credits for child tax credit, etc.
  - Note: this is an IRS tool so it is not quite as simple as turbo tax – for example, when the box is checked that the employee wants to calculate credits such as the child tax credit, they will be bombarded with lots of other credits that may not necessarily apply (Foreign Tax Credit, Alternative Minimum Tax Credit, etc.)
- The tool will then output the specific changes to the W-4

### **3 Methods to account for additional wage income**

#### **2. Use the Multiple Jobs Worksheet included with the W-4 (probably everyone's least favorite method)**

- This method uses a worksheet and a chart to calculate a weighted average additional withholding amount based on the annual salary of the two jobs
- Ultimately it computes the additional withholding amount necessary to provide to the employer of the highest paying job.

## 3 Methods to account for additional wage income

### 3. Checking the box

- I am assuming this will be the most common approach for those that choose to complete Step 2.
- This does disclose to the employer that there are multiple jobs in the household which could cause privacy concerns to employees.
- The larger the difference between the pay in the two jobs, the larger the over-withholding will be. This option is pretty accurate if both jobs are relatively similar in pay, and the employee is taking the standard deduction. If one job pays significantly better than the other, if the checkbox is used at both jobs, the employee will be significantly over-withheld.

# Step 3 – Claim Dependents

- This step accounts for the increased child tax credit and credit for other dependents
- The credit phases out at \$200,000 single and \$400,000 joint. The form is set up such that the credit(s) should only be claimed on one W-4 (whether married or multiple jobs)
- Only one W-4 claiming the credit per tax return in order to avoid under withholding

<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>	\$

# Step 4 – Other Adjustments

<b>Step 4 (optional):</b> <b>Other Adjustments</b>	<b>(a) 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 . . . . .	<b>4(a)</b> \$ <input type="text"/>
	<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 . . . . .	<b>4(b)</b> \$ <input type="text"/>
	<b>(c) Extra withholding.</b> Enter any additional tax you want withheld each <b>pay period</b> .	<b>4(c)</b> \$ <input type="text"/>

## Step 4 – Other Adjustments

- **Line 4a – this is where employees will put other sources of income that won't have withholding.**
  - Privacy Concerns – employees may not want an employer to know that they have additional sources of revenue (side gigs, investment income, etc.)
  - The tables will only take into account income tax – so if the employees additional income on line 4a is from self-employment income, any self-employment tax will be unaccounted for
- **Line 4b – this is where the employee can plan for itemizing deductions, making IRA contributions, and accounting for student loan interest deductions.**
  - There is a worksheet to help compute this line and compare the expected deductions to the standard deduction

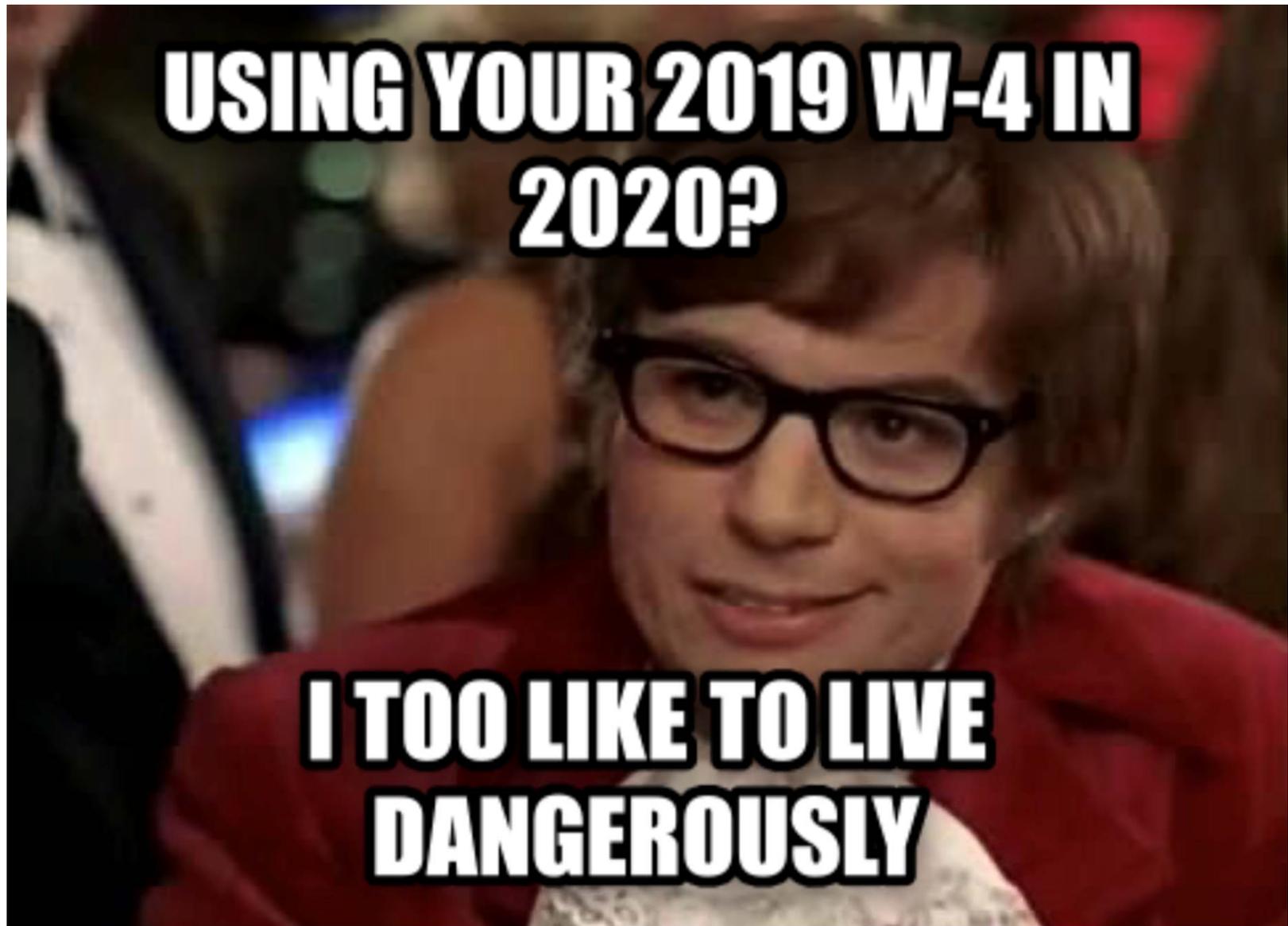
## **Step 5 – Sign Here**

- **Employee Signature**
- **This step is also mandatory.**

- **Only mandatory steps for a valid W-4 are Step 1 and Step 5**
- **The IRS specifically noted in their announcement regarding the release of the Final W-4 that it is not accurate to say that steps 2-4 are “optional” – they are required if there is an adjustment only**

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# **What do I need to know when talking to employees?**



# Talking to Employees

- **What's the bare minimum that I need to fill out?**
  - Simply filling out Steps 1 & 5 is the bare minimum, but know that the withholding that results will be based on the full standard deduction being applied to this wage as well as the tax rates for the selected filing status with no other adjustments. This could cause under withholding.
  
- **Does everyone now need to fill out a new W-4 in 2020?**
  - No – The IRS is encouraging employers to let employees know that the new W-4 is available for the 2020 tax year, but it is not mandatory to complete one. The withholding worksheets allow old W-4's to be used. All W-4's submitted in 2020 whether it's a new employee or an employee updating his/her withholding must use the new W-4

# Talking to Employees

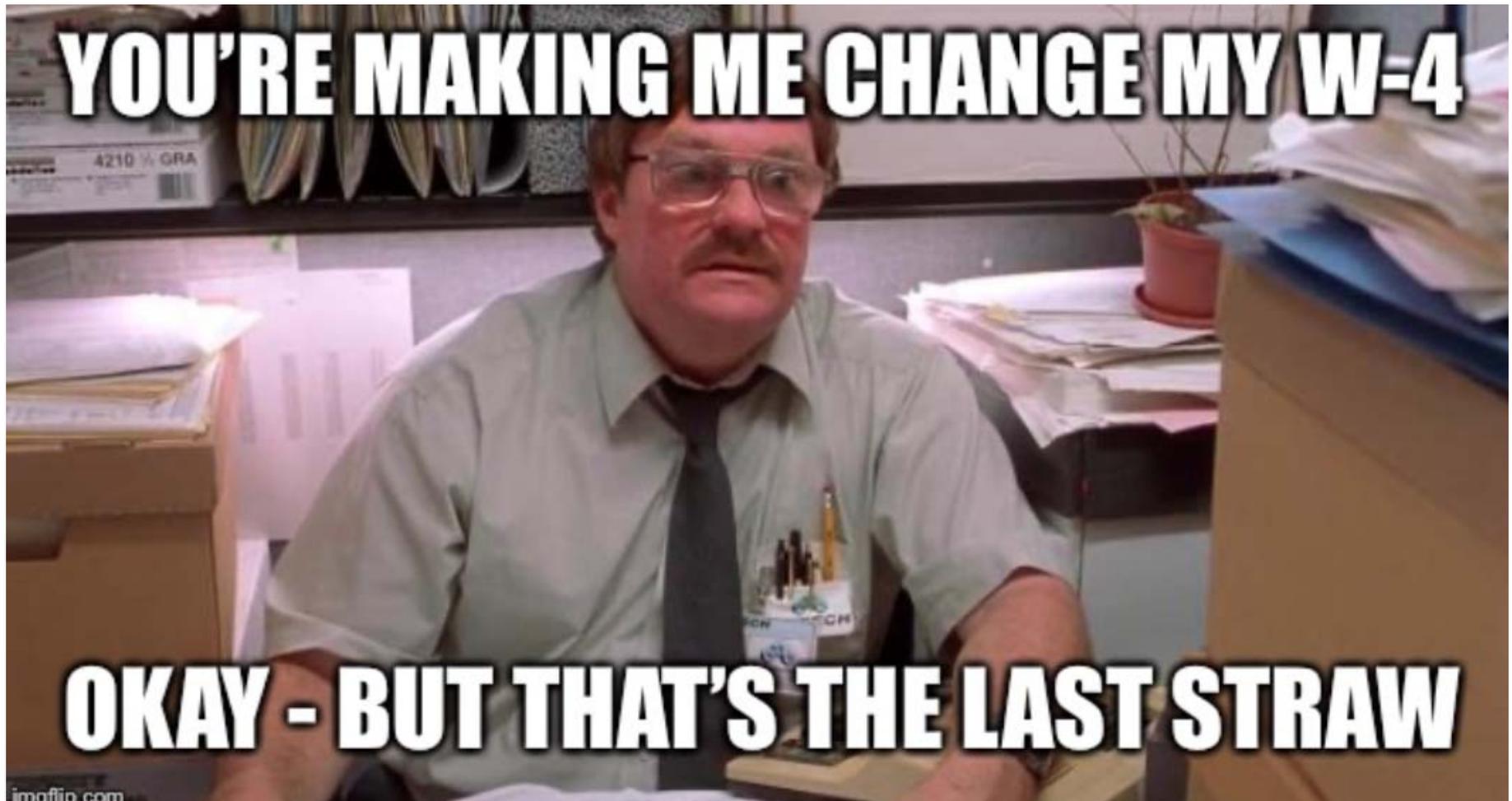
- **Can I ask that every employee fill out a new W-4?**
  - No – employees can still rely on their 2019 and earlier W-4. You are encouraged to inform employees of the new W-4, but you can't demand they fill out new ones.
- **Can employees still claim “Exempt” on their W-4?**
  - Yes – They will simply write “EXEMPT” above the line separating Steps 4 & 5.
- **Does writing “Exempt” on the W-4 make an employee exempt from tax?**
  - No – It exempts employees from income tax withholding, but it does not exempt them from U.S. Individual Income Tax on those earnings.

# Talking to Employees

- **What about non-resident aliens?**
  - If the employee is a non-resident alien, they should write “NRA” above the line separating Steps 4 & 5. This subjects the employee to a different income tax withholding regime.
- **There are multiple jobs in my household, how do I coordinate the W-4’s between those jobs.**
  - It is a best practice to make the adjustments in Steps 3 & 4 on the highest paying job only.
- **What is the simplest way to fill out the W-4 so that I’m not under withheld, but I don’t have to do a lot of math figuring it out.**
  - If there are two jobs in the household, simply filling out Step 1 & 5 and checking the box in Step 2 on both W-4’s is likely the simplest solution.

# Talking to Employees

- **So if I put my name on it and do nothing else, that's the same as an old W-4 claiming zero, right?**
  - No – a married person who only puts their name on the W-4 and signs it, is in the same boat as an old W-4 claiming “Married -3”



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# Examples

# Example #1

- **Biff and Judy are married with no children. They both earn \$50,000 and expect to file a joint tax return.**
- **Biff and Judy always claim the standard deduction on their tax return.**
- **Biff and Judy both submit a 2020 Form W-4 where they both simply fill out Step 1, and sign in Step 5.**

# Example #1 – Withholding Calc

- Step 1 – Come up with an adjusted wage amount
- Worksheet #1 from the Pub 15-T

**Step 1. Adjust the employee's wage amount**

1a	Enter the employee's total taxable wages this payroll period	1a	\$	1,923.08
1b	Enter the number of pay periods you have per year (see Table 3)	1b		26
1c	Multiply the amount on line 1a by the number on line 1b	1c	\$	50,000

If the employee **HAS** submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1d	Enter the amount from Step 4(a) of the employee's Form W-4	1d	\$	0
1e	Add lines 1c and 1d	1e	\$	50,000
1f	Enter the amount from Step 4(b) of the employee's Form W-4	1f	\$	0
1g	If the box in Step 2 of Form W-4 is checked, enter -0-. If the box is not checked, enter \$12,900 if the taxpayer is married filing jointly or \$8,600 otherwise	1g	\$	12,900
1h	Add lines 1f and 1g	1h	\$	12,900
1i	Subtract line 1h from line 1e. If zero or less, enter -0-. This is the <b>Adjusted Annual Wage Amount</b>	1i	\$	37,100

# Withholding Table

## STANDARD Withholding Rate Schedules

(Use these if the Form W-4 is from 2019 or earlier, or if the Form W-4 is from 2020 or later and the box in Step 2 of Form W-4 is **NOT** checked)

If the Adjusted Annual Wage Amount (line 2a) is:		The tentative amount to withhold is:	Plus this percentage—	of the amount that the Adjusted Annual Wage exceeds—
At least—	But less than—			
A	B	C	D	E
<b>Married Filing Jointly</b>				
\$0	\$11,900	\$0.00	0%	\$0
\$11,900	\$31,650	\$0.00	10%	\$11,900
\$31,650	\$92,150	\$1,975.00	12%	\$31,650
\$92,150	\$182,950	\$9,235.00	22%	\$92,150
\$182,950	\$338,500	\$29,211.00	24%	\$182,950
\$338,500	\$426,600	\$66,543.00	32%	\$338,500
\$426,600	\$633,950	\$94,735.00	35%	\$426,600
\$633,950		\$167,307.50	37%	\$633,950

# Example #1 – Withholding Calc

## Step 2. Figure the Tentative Withholding Amount

based on the employee's Adjusted Annual Wage Amount; filing status (Step 1(c) of the 2020 Form W-4) or marital status (line 3 of Form W-4 from 2019 or earlier); and whether the box in Step 2 of 2020 Form W-4 is checked.

**Note.** Don't use the Head of Household table if the Form W-4 is from 2019 or earlier.

2a	Enter the employee's <b>Adjusted Annual Wage Amount</b> from line 1i or 1l above	2a	\$	37,100
2b	Find the row in the appropriate <b>Annual Percentage Method</b> table in which the amount on line 2a is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row	2b	\$	31,650
2c	Enter the amount from column C of that row	2c	\$	1,975
2d	Enter the percentage from column D of that row	2d		12 %
2e	Subtract line 2b from line 2a	2e	\$	5,450
2f	Multiply the amount on line 2e by the percentage on line 2d	2f	\$	654
2g	Add lines 2c and 2f	2g	\$	2,629
2h	Divide the amount on line 2g by the number of pay periods on line 1b. This is the <b>Tentative Withholding Amount</b>	2h	\$	101.12

## Step 3. Account for tax credits

3a	If the employee's Form W-4 is from 2020, enter the amount from Step 3 of that form; otherwise enter -0-	3a	\$	0
3b	Divide the amount on line 3a by the number of pay periods on line 1b	3b	\$	0
3c	Subtract line 3b from line 2h. If zero or less, enter -0-	3c	\$	0

## Step 4. Figure the final amount to withhold

4a	Enter the additional amount to withhold from the employee's Form W-4 (Step 4(c) of the 2020 form or line 6 on earlier forms)	4a	\$	0
4b	Add lines 3c and 4a. <b>This is the amount to withhold from the employee's wages this pay period</b>	4b	\$	101.12

# Example #1 - Results

- **Biff and Judy will both have \$2,629 of withholding on their combined wages.**
- **This will be the results of their tax return:**
  - Adjusted Gross Income – 100,000
  - Less :Standard Deduction – (24,800)
  - Taxable Income - 75,200
  - Tax (from 2020 tables) - 8,629
  - Wage withholding - 5,258
  - **BALANCE DUE - 3,371**

## Example #1 – What happened?

- **Because neither Biff nor Judy accounted for the other's wages, the withholding tables allowed the full standard deduction for both of them.**
  - \$24,800 of erroneous standard deduction times their marginal rate =  $\$24,800 * .12 = \$2,976$
  - PLUS – both of their withholdings accounted for the entire 10% (lowest) bracket ( $\$19,751 * .02 = \$395$ )
  - \$2,928 in under withholding from the standard deduction plus \$395 of under withholding from double dipping in the lower marginal bracket = **\$3,371** (the same amount as the underpayment)

# An Old Problem Made Worse

- **This scenario is not unique to 2020. We have actually been struggling with this scenario for years.**
- **However, under the old tax law, the standard deduction for a married couple was only \$12,000 –**
  - Incorrectly filled out W-4's only had withholding missing on \$12,000 instead of \$24,000

## Example #2

- **Same scenario except Biff and Judy both check the box in Step 2.**

# Example #2 – Calc Adjusted Annual Wage

**Step 1. Adjust the employee’s wage amount**

1a	Enter the employee’s total taxable wages this payroll period	1a	\$	1,923.08
1b	Enter the number of pay periods you have per year (see Table 3)	1b		26
1c	Multiply the amount on line 1a by the number on line 1b	1c	\$	50,000

If the employee **HAS** submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1d	Enter the amount from Step 4(a) of the employee's Form W-4	1d	\$	0
1e	Add lines 1c and 1d	1e	\$	50,000
1f	Enter the amount from Step 4(b) of the employee's Form W-4	1f	\$	0
1g	If the box in Step 2 of Form W-4 is checked, enter -0-. If the box is not checked, enter \$12,900 if the taxpayer is married filing jointly or \$8,600 otherwise	1g	\$	0
1h	Add lines 1f and 1g	1h	\$	0
1i	Subtract line 1h from line 1e. If zero or less, enter -0-. This is the <b>Adjusted Annual Wage Amount</b>	1i	\$	50,000

# Withholding Table

**Form W-4, Step 2, Checkbox, Withholding Rate Schedules**  
 (Use these if the Form W-4 is from 2020 or later and the box in Step 2 of Form W-4 **IS** checked)

If the Adjusted Annual Wage Amount (line 2a) is:		The tentative amount to withhold is:	Plus this percentage—	of the amount that the Adjusted Annual Wage exceeds—
At least—	But less than—			
A	B	C	D	E
<b>Married Filing Jointly</b>				
\$0	\$12,400	\$0.00	0%	\$0
\$12,400	\$22,275	\$0.00	10%	\$12,400
\$22,275	\$52,525	\$987.50	12%	\$22,275
\$52,525	\$97,925	\$4,617.50	22%	\$52,525
\$97,925	\$175,700	\$14,605.50	24%	\$97,925
\$175,700	\$219,750	\$33,271.50	32%	\$175,700
\$219,750	\$323,425	\$47,367.50	35%	\$219,750
\$323,425		\$83,653.75	37%	\$323,425

# Example #2 – Calc Adjusted Annual Wage

## Step 2. Figure the Tentative Withholding Amount

based on the employee's Adjusted Annual Wage Amount; filing status (Step 1(c) of the 2020 Form W-4) or marital status (line 3 of Form W-4 from 2019 or earlier); and whether the box in Step 2 of 2020 Form W-4 is checked.

**Note.** Don't use the Head of Household table if the Form W-4 is from 2019 or earlier.

2a	Enter the employee's <b>Adjusted Annual Wage Amount</b> from line 1i or 1l above	2a	\$	50,000
2b	Find the row in the appropriate <b>Annual Percentage Method</b> table in which the amount on line 2a is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row	2b	\$	22,275
2c	Enter the amount from column C of that row	2c	\$	988
2d	Enter the percentage from column D of that row	2d		12 %
2e	Subtract line 2b from line 2a	2e	\$	27,725
2f	Multiply the amount on line 2e by the percentage on line 2d	2f	\$	3,327
2g	Add lines 2c and 2f	2g	\$	4,315
2h	Divide the amount on line 2g by the number of pay periods on line 1b. This is the <b>Tentative Withholding Amount</b>	2h	\$	165.96

## Step 3. Account for tax credits

3a	If the employee's Form W-4 is from 2020, enter the amount from Step 3 of that form; otherwise enter -0-	3a	\$	0
3b	Divide the amount on line 3a by the number of pay periods on line 1b	3b	\$	0
3c	Subtract line 3b from line 2h. If zero or less, enter -0-	3c	\$	0

## Step 4. Figure the final amount to withhold

4a	Enter the additional amount to withhold from the employee's Form W-4 (Step 4(c) of the 2020 form or line 6 on earlier forms)	4a	\$	0
4b	Add lines 3c and 4a. <b>This is the amount to withhold from the employee's wages this pay period</b>	4b	\$	165.96

## Example # 2 - Results

- **Biff and Judy will both have \$4,315.00 of withholding on their combined wages.**
- **This will be the results of their tax return:**
  - Adjusted Gross Income – 100,000
  - Less :Standard Deduction – (24,800)
  - Taxable Income - 75,200
  - Tax (from 2020 tables) - 8,629
  - Wage withholding - 8,630
  - **REFUND - 1**

## **Example #3 – Judy gets a raise!!**

- **Biff is still making \$50,000, but Judy gets a promotion, and her new salary is \$250,000.**
- **They still have the same W-4's in effect (Married with the box checked in Step #2)**
- **Biff's withholding will stay the same at \$4,315 annually.**
- **Judy's withholding will increase dramatically**

## Example # 3 - Results

- Biff will have \$4,315 of withholding on his wages and Judy will have \$57,956 on her wages.

- This will be the results of their tax return:

• Adjusted Gross Income –	300,000
• Less: Standard Deduction –	(24,800)
• Taxable Income -	275,200
• Tax (from 2020 tables) -	54,207
• <u>Wage withholding -</u>	<u>62,271</u>
• REFUND -	(8,064)

## **Example #4 – Biff gets a raise too**

- **If we move Biff's salary up to 200,000, what happens?**
- **We should expect to see the overpayment go down when the return is filed as the two wages are getting closer together.**

## Example # 4 - Results

- Biff will have \$41,048 of withholding on his wages and Judy will have \$57,956 on her wages.

- This will be the results of their tax return:

• Adjusted Gross Income –	450,000
• Less: Standard Deduction –	(24,800)
• Taxable Income -	425,200
• Tax (from 2020 tables) -	98,095
• <u>Wage withholding -</u>	<u>99,004</u>
• REFUND -	(909)

## **2<sup>nd</sup> Method in Step #2 – The Worksheet**

- **A worksheet is provided on page 4 of the W-4**
- **This method will be more accurate than simply checking the box when one of the jobs pays more than the other.**
- **The table will give the employee an additional withholding amount required for the higher job in order to compensate for the wages of the lower paying job. - This additional withholding amount is then put on line 4(c) of the W-4.**

# 2<sup>nd</sup> Method in Step #2 – The Worksheet

Married Filing Jointly or Qualifying Widow(er)												
Higher Paying Job Annual Taxable Wage & Salary	Lower Paying Job Annual Taxable Wage & Salary											
	\$0 - 9,999	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 39,999	\$40,000 - 49,999	\$50,000 - 59,999	\$60,000 - 69,999	\$70,000 - 79,999	\$80,000 - 89,999	\$90,000 - 99,999	\$100,000 - 109,999	\$110,000 - 120,000
\$0 - 9,999	\$0	\$220	\$850	\$900	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,210	\$1,870	\$1,870
\$10,000 - 19,999	220	1,220	1,900	2,100	2,220	2,220	2,220	2,220	2,410	3,410	4,070	4,070
\$20,000 - 29,999	850	1,900	2,730	2,930	3,050	3,050	3,050	3,240	4,240	5,240	5,900	5,900
\$30,000 - 39,999	900	2,100	2,930	3,130	3,250	3,250	3,440	4,440	5,440	6,440	7,100	7,100
\$40,000 - 49,999	1,020	2,220	3,050	3,250	3,370	3,570	4,570	5,570	6,570	7,570	8,220	8,220
\$50,000 - 59,999	1,020	2,220	3,050	3,250	3,570	4,570	5,570	6,570	7,570	8,570	9,220	9,220
\$60,000 - 69,999	1,020	2,220	3,050	3,440	4,570	5,570	6,570	7,570	8,570	9,570	10,220	10,220
\$70,000 - 79,999	1,020	2,220	3,240	4,440	5,570	6,570	7,570	8,570	9,570	10,570	11,220	11,240
\$80,000 - 99,999	1,060	3,260	5,090	6,290	7,420	8,420	9,420	10,420	11,420	12,420	13,260	13,460
\$100,000 - 149,999	1,870	4,070	5,900	7,100	8,220	9,320	10,520	11,720	12,920	14,120	14,980	15,180
\$150,000 - 239,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	12,790	13,990	15,190	16,050	16,250
\$240,000 - 259,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	12,790	13,990	15,520	17,170	18,170
\$260,000 - 279,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	13,120	15,120	17,120	18,770	19,770
\$280,000 - 299,999	2,040	4,440	6,470	7,870	9,190	10,720	12,720	14,720	16,720	18,720	20,370	21,370
\$300,000 - 319,999	2,040	4,440	6,470	8,200	10,320	12,320	14,320	16,320	18,320	20,320	21,970	22,970
\$320,000 - 364,999	2,720	5,920	8,750	10,950	13,070	15,070	17,070	19,070	21,290	23,590	25,540	26,840
\$365,000 - 524,999	2,970	6,470	9,600	12,100	14,530	16,830	19,130	21,430	23,730	26,030	27,980	29,280
\$525,000 and over	3,140	6,840	10,170	12,870	15,500	18,000	20,500	23,000	25,500	28,000	30,150	31,650

## 2<sup>nd</sup> Method in Step #2 – The Worksheet

- **Couple of other notes on the worksheet:**
  - If the lower paying job is more than \$120,000 per year, the chart will not work.
  - This could potentially make the withholding much more accurate meaning a refund is less likely. Make sure to communicate this to employees as many of them may rely on the refund.

## Example # 5 – Using the Worksheet

- Using the same facts as Example #3
- Judy has a wage of \$250,000 and Biff has a wage of \$50,000
- Biff is NOT going to check the box because Judy's W-4 (the higher paying job) should cover Biff's additional withholding requirement.
- This time instead of Judy checking the box in step 2, she is going to instead indicate an additional withholding amount to cover Biff's wages.

# Judy's Worksheet

Married Filing Jointly or Qualifying Widow(er)												
Higher Paying Job Annual Taxable Wage & Salary	Lower Paying Job Annual Taxable Wage & Salary											
	\$0 - 9,999	\$10,000 - 19,999	\$20,000 - 29,999	\$30,000 - 39,999	\$40,000 - 49,999	\$50,000 - 59,999	\$60,000 - 69,999	\$70,000 - 79,999	\$80,000 - 89,999	\$90,000 - 99,999	\$100,000 - 109,999	\$110,000 - 120,000
\$0 - 9,999	\$0	\$220	\$850	\$900	\$1,020	\$1,020	\$1,020	\$1,020	\$1,020	\$1,210	\$1,870	\$1,870
\$10,000 - 19,999	220	1,220	1,900	2,100	2,220	2,220	2,220	2,220	2,410	3,410	4,070	4,070
\$20,000 - 29,999	850	1,900	2,730	2,930	3,050	3,050	3,050	3,240	4,240	5,240	5,900	5,900
\$30,000 - 39,999	900	2,100	2,930	3,130	3,250	3,250	3,440	4,440	5,440	6,440	7,100	7,100
\$40,000 - 49,999	1,020	2,220	3,050	3,250	3,370	3,570	4,570	5,570	6,570	7,570	8,220	8,220
\$50,000 - 59,999	1,020	2,220	3,050	3,250	3,570	4,570	5,570	6,570	7,570	8,570	9,220	9,220
\$60,000 - 69,999	1,020	2,220	3,050	3,440	4,570	5,570	6,570	7,570	8,570	9,570	10,220	10,220
\$70,000 - 79,999	1,020	2,220	3,240	4,440	5,570	6,570	7,570	8,570	9,570	10,570	11,220	11,240
\$80,000 - 99,999	1,060	3,260	5,090	6,290	7,420	8,420	9,420	10,420	11,420	12,420	13,260	13,460
\$100,000 - 149,999	1,870	4,070	5,900	7,100	8,220	9,320	10,520	11,720	12,920	14,120	14,980	15,180
\$150,000 - 239,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	12,790	13,990	15,190	16,050	16,250
\$240,000 - 259,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	12,790	13,990	15,520	17,170	18,170
\$260,000 - 279,999	2,040	4,440	6,470	7,870	9,190	10,390	11,590	13,120	15,120	17,120	18,770	19,770
\$280,000 - 299,999	2,040	4,440	6,470	7,870	9,190	10,720	12,720	14,720	16,720	18,720	20,370	21,370
\$300,000 - 319,999	2,040	4,440	6,470	8,200	10,320	12,320	14,320	16,320	18,320	20,320	21,970	22,970
\$320,000 - 364,999	2,720	5,920	8,750	10,950	13,070	15,070	17,070	19,070	21,290	23,590	25,540	26,840
\$365,000 - 524,999	2,970	6,470	9,600	12,100	14,530	16,830	19,130	21,430	23,730	26,030	27,980	29,280
\$525,000 and over	3,140	6,840	10,170	12,870	15,500	18,000	20,500	23,000	25,500	28,000	30,150	31,650

**Step 2(b) – Multiple Jobs Worksheet** (Keep for your records.)



If you choose the option in Step 2(b) on Form W-4, complete this worksheet (which calculates the total extra tax for all jobs) on **only ONE** Form W-4. Withholding will be most accurate if you complete the worksheet and enter the result on the Form W-4 for the highest paying job.

**Note:** If more than one job has annual wages of more than \$120,000 or there are more than three jobs, see Pub. 505 for additional tables; or, you can use the online withholding estimator at [www.irs.gov/W4App](http://www.irs.gov/W4App).

- 1 Two jobs.** If you have two jobs or you're married filing jointly and you and your spouse each have one job, find the amount from the appropriate table on page 4. Using the "Higher Paying Job" row and the "Lower Paying Job" column, find the value at the intersection of the two household salaries and enter that value on line 1. Then, **skip** to line 3 . . . . . **1** \$ 10,390
  
- 2 Three jobs.** If you and/or your spouse have three jobs at the same time, complete lines 2a, 2b, and 2c below. Otherwise, skip to line 3.

  - a** Find the amount from the appropriate table on page 4 using the annual wages from the highest paying job in the "Higher Paying Job" row and the annual wages for your next highest paying job in the "Lower Paying Job" column. Find the value at the intersection of the two household salaries and enter that value on line 2a . . . . . **2a** \$
  - b** Add the annual wages of the two highest paying jobs from line 2a together and use the total as the wages in the "Higher Paying Job" row and use the annual wages for your third job in the "Lower Paying Job" column to find the amount from the appropriate table on page 4 and enter this amount on line 2b . . . . . **2b** \$
  - c** Add the amounts from lines 2a and 2b and enter the result on line 2c . . . . . **2c** \$
  
- 3** Enter the number of pay periods per year for the highest paying job. For example, if that job pays weekly, enter 52; if it pays every other week, enter 26; if it pays monthly, enter 12, etc. . . . . **3** 26
  
- 4 Divide** the annual amount on line 1 or line 2c by the number of pay periods on line 3. Enter this amount here and in **Step 4(c)** of Form W-4 for the highest paying job (along with any other additional amount you want withheld) . . . . . **4** \$ 400

# Judy's W-4 – Step 4

- $\$10,390 / 26 \text{ payrolls} = \$399.62$

**Step 4  
(optional):  
Other  
Adjustments**

<p><b>(a) 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 . . . . .</p>	<p><b>4(a)</b></p>	<p>\$ <input type="text"/></p>
<p><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 . . . . .</p>	<p><b>4(b)</b></p>	<p>\$ <input type="text"/></p>
<p><b>(c) Extra withholding.</b> Enter any additional tax you want withheld each <b>pay period</b> .</p>	<p><b>4(c)</b></p>	<p>\$ <input type="text" value="400"/></p>

## Example # 5 – Worksheet Results

- Biff will have \$2,629.00 of withholding on his wages and Judy will have \$52,607 on her wages.

- This will be the results of their tax return:

• Adjusted Gross Income –	300,000
• Less: Standard Deduction –	(24,800)
• Taxable Income -	275,200
• Tax (from 2020 tables) -	54,207
• <u>Wage withholding -</u>	<u>55,236</u>
• REFUND -	1,029

## Example #6 – Use the Online Calculator

- The calculator that is online is now active for 2020, and it is going to give output based on a 2020 Form W-4 – I ran Example #3 through the calculator so you could see what it looks like.
- The tool is located at [www.irs.gov/w4app](http://www.irs.gov/w4app)
- Click on the link that looks like this:

[Use the Tax Withholding Estimator](#)

## Example #5 – Use the online calculator

- **The calculator has five steps**
  1. About You
  2. Income & Withholding
  3. Adjustments
  4. Deductions
  5. Tax Credits
  6. Results
  
- **As the employee fills out information in each step – the calculator will pop up new questions based on the last answer**

# Screen Shots of filled out calculator

- Assumed the same facts as Example #3 (Biff making \$50,000 – Judy making \$250,000 – no kids – joint return) – I assumed there were 26 payrolls in 2020 with only one occurring so far.

What filing status will you use for your tax return? (\*Required) ?

- Single
- Married filing jointly
- Married filing separately
- Head of Household
- Qualifying widow(er)

Can someone else claim you as a dependent on their tax return? ?

- Yes  No

## 2 of 5: Dependents

Do you plan to claim dependents on your tax return? (\*Required) ?

- Yes  No

### 3 of 5: Income

Do you or your spouse hold a job with regular paychecks that are subject to federal income tax?

(\*Required) [?](#)

Yes  No

How many jobs do you expect to hold this year? (Include jobs you no longer hold)

How many jobs does your spouse expect to hold this year? (Include jobs your spouse no longer holds)

### 4 of 5: Pension

Will you or your spouse receive income from a pension this year? (\*Required) [?](#)

Yes  No

## 5 of 5: Other

Check all that apply to you and your spouse:

### Other Sources of Income and Tax Payments

- Receive Social Security benefits this year. [?](#)
- Your spouse will receive Social Security benefits this year.
- Receive unearned income such as dividends, interest, annuities, alimony, or a distribution from an IRA (not Roth IRAs), 401(k) or a trust. [?](#)
- Receive a scholarship or grant that must be counted as income. [?](#)
- Collect unemployment compensation.
- Earn net income from self-employment. [?](#)
- Earn net income from spouse's self-employment. [?](#)
- Have earned income from other sources. [?](#)
- Had withholding or made estimated payments for income such as dividends, interest, distributions from an IRA (not Roth IRAs), 401(k) or a trust, or other form of specialized income. [?](#)

### Demographics

- I will be 65 or older on January 1, 2020.
- My spouse will be 65 or older on January 1, 2020.
- I am blind.
- My spouse is blind.

NEXT

# Step #2 – Income and Withholding

## ⊖ Your Job

Do you expect to hold this job the entire year (Jan. 1 through Dec. 31)? (\*Required)

- Yes  
 No

How frequently are you paid? (\*Required) [?](#)

Every two weeks



On what date did your most recent pay period end? (MM/DD/YYYY) (\*Required) [?](#)

01/08/2020

Enter the total wages you expect to receive this year: (\*Required) [?](#)

\$50,000

Enter any bonuses: [?](#)

Have already received this year:

\$0

Using your last pay statement, enter the total federal income taxes withheld: [?](#)

Year to date: (\*Required)

\$167

From last check: (\*Required)

\$167

Did you, or will you, contribute to a tax-deferred retirement plan, such as a 401(k)? [?](#)

- Yes
- No

Did you, or will you, contribute to an HSA, FSA, pre-tax childcare credit account or other "cafeteria plan"? [?](#)

- Yes
- No

## Your Spouse's Job

Does your spouse expect to hold this job all year? (\*Required)

Yes

No

How frequently is your spouse paid? (\*Required) 

Every two weeks 

On what date did your spouse most recent pay period end? (MM/DD/YYYY) (\*Required) 

01/08/2020

Enter the total wages your spouse expects to receive this year: (\*Required) 

\$250,000

Enter any bonuses: 

Spouse has already received this year:

Enter Amount...

Using your last pay statement, enter the total federal income taxes withheld: ?

Year to date: (\*Required)

\$2,247

From last check: (\*Required)

\$2,247

Did your spouse contribute to a tax-deferred retirement plan, such as a 401(k)? ?

- Yes  
 No

Did your spouse contribute to an HSA, FSA, pre-tax childcare credit account or other "cafeteria plan"? ?

- Yes  
 No

## Step #3 – Adjustments

- “Adjustments” are basically deductions that occur before adjusted gross income
- This is an example where the IRS assumes the average person’s knowledge on tax law is more extensive than it actually is.
- Common “Adjustments” are:
  - Student Loan Interest
  - IRA contributions
  - Health Savings Account contributions (other than by payroll deduction)
- In this case we will select that we don’t have any adjustments

## Adjustments to Income

Most taxpayers don't have a large enough adjustment to have a significant impact on their tax obligation.

Do you want to go to the next step without including adjustments or would you like to see possible adjustments? (\*Required) [?](#)

- See Adjustments
- Go to next step

BACK

NEXT

## Step #4 – Deductions

- This section of the tool allows an employee to determine whether or not they will be itemizing deductions
- Under the new tax law more than 90% of households will be using the standard deduction
- Itemized Deductions Include:
  - Medical Expenses (if they are large enough)
  - State and Local Taxes (capped at 10,000)
  - Mortgage Interest
  - Charitable Contributions
- In our example we are using the standard deduction

## Deductions From Income

You qualify for a standard deduction of \$24,800.

**Deductions reduce the amount of your income subject to income tax. Most taxpayers take the standard deduction.**

Would you like to take the standard deduction or itemize your deductions? (\*Required) [?](#)

- Itemize deductions
- Take the standard deduction

BACK

NEXT

# Step #5 – Credits

- This is another good example of the IRS assuming the average employee knows more about tax law than they probably do.
- The labels on the credits in the tools may lead some employees to believe these credits apply and others will confuse:

These three are unlikely to apply – the income thresholds are pretty low and the credits are pretty small

+ Child and Dependent-related

+ Foreign Tax Credit

+ Educational

+ Retirement Savings

+ Homeowner

+ Elderly or Disabled

+ Business

+ Alternative Minimum Tax

+ Energy Efficient Vehicles

## Tax Credits

Tax credits are amounts you subtract directly from your tax obligation. Would you like to learn more about tax credits you may be eligible for or get your results without tax credits? (\*Required)

- See tax credits
- Get my results without tax credits

BACK

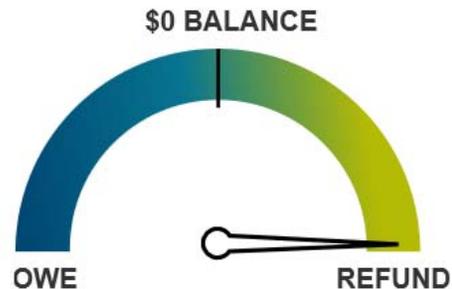
NEXT

## Your Results

Based on the information you entered

If you do not change your withholding, **you are likely to get a refund.**

Expected tax withholding	\$62,764*
Anticipated tax obligation	\$54,657**
<b>Estimated over payment</b>	<b>\$8,107</b>



# Other Features of the Online Tool

- The employee is then given a “slider” where they can choose the amount of refund that they would like to receive

**Happy with your results? Then you don't need to do anything.**

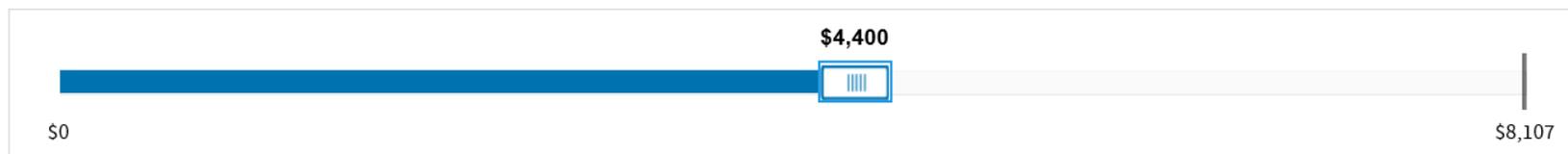
**Want to adjust your results?**

Use the slider below to select the approximate refund amount you'd like to get.



**Want to adjust your results?**

Use the slider below to select the approximate refund amount you'd like to get.



## For a refund of approximately \$4,400

### Your Job, Annual Pre-tax Wages: \$50,000

To get your desired refund amount, you will need \$132 withheld from each paycheck, \$35 less than your current tax withholding.

#### How to Adjust Your Withholding

**Step 1:** Complete a new Form W-4 online or via paper as follows:

- Check your personal information is correct (line 1(a) and (b) on Form W-4)
- Select **Married filing jointly (or Qualifying widow(er))** filing status (line 1(c) on Form W-4)
- Enter **\$31** in additional withholding per pay period (Line 4 (c) on Form W-4 is already pre-filled in the Download button below)
- If using a paper form sign and date it

**Step 2:** Submit this new information to your employer as soon as possible

[DOWNLOAD PRE-FILLED FORM W-4](#)

## Your Spouse's Job, Annual Pre-tax Wages: \$250,000

To get your desired refund amount, you will need \$2,127 withheld from each paycheck, \$120 less than your current tax withholding.

### ⊖ How to Adjust Your Withholding

**Step 1:** Complete a new Form W-4 online or via paper as follows:

- Check your personal information is correct (line 1(a) and (b) on Form W-4)
- Select **Married filing jointly (or Qualifying widow(er))** filing status (line 1(c) on Form W-4)
- Enter **\$504** in additional withholding per pay period (Line 4 (c) on Form W-4 is already pre-filled in the Download button below)
- If using a paper form sign and date it

**Step 2:** Submit this new information to your employer as soon as possible

[DOWNLOAD PRE-FILLED FORM W-4](#)

# Output of IRS Tool

- **The IRS tool will give the employee the exact W-4 to fill out based upon the employee's inputs and desired refund amount.**
- **There is even a link below the output for the employee/spouse that downloads a W-4 with the withholding amount already input in the correct box.**

# Important Notes about the IRS Tool

- **The tool is focused on the remainder of the year**
  - If an employee is over withheld and the IRS tool tells the employee to reduce their withholding, that would likely only apply for the remainder of the year
  - If the employee subsequently never adjusts his or her withholding in the following January, the employee is very likely going to be under withheld the following year

# Topics Covered

1. **Deferral of Social Security Tax**
2. **Employee Retention Credit**
3. **FFCRA Tax Credits**
4. **Form 941 – Revised for 2Q20**

# Deferral of Social Security Tax

- Tax benefit allows employers to defer paying the employer portion of Social Security tax (6.2%).
- Available on wages paid from 3/27/2020 – 12/31/2020.
- $\frac{1}{2}$  of the deferred taxes are due 12/31/21 and the other  $\frac{1}{2}$  is due 12/31/22.
- Can be combined with tax credits for mandatory sick leave and the employee retention credit.
- Available to any business, not just those adversely affected by COVID-19.
- Can not be deferred if already paid in.
- Tax still due (just deferred)

# Employee Retention Credit

- **Available to businesses who suffer a financial downturn due to COVID-19. Two ways to qualify:**
  - Full or partial suspension of their operation during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or
  - A significant decline in gross receipts, defined as:
    - Gross receipts for a calendar quarter in 2020 are less than 50% of what they were for the same quarter in 2019.
    - Once a business qualifies this way, they continue to qualify until the quarter in which gross receipts return to more than 80% of what they were for that quarter in 2019.

# Employee Retention Credit

- **Credit is 50% of wages paid to employees (up to \$10,000 of wages per employee) from 3/13/20 - 12/31/20. Maximum of \$5,000 credit per employee.**
  - Qualified wages includes qualified health plan expenses.
  - If your business had less than 100 employees in 2019 you can take into account all wages paid to all employees
  - If your business had 100 or more employees in 2019 you can only use wages paid to employees not “providing services” (paying people not working rather than laying them off). Can only count wages up to the amount that the employee would have been paid for working an equivalent duration during the 30 days immediately preceding the period of economic hardship.
  - Credit first reduces the 6.2% employer side Social Security Tax deposit. Remaining credit can reduce remaining payroll tax deposit. Any overage can be claimed using Form 7200.

# Employee Retention Credit

- **Timing of determination**
  - 941X can be filed to amend and claim the credit if a company doesn't determine it qualifies until after the quarter or year ended (likely to happen).
  - Any wages that would qualify from 3/13/20 – 3/31/20 should be claimed on 2Q20, not the 1Q20.
- **If a business gets a PPP loan it cannot take the Employee Retention Credit**
- **Cannot claim credit for any wages paid under the Families First Coronavirus Response Act (can still claim both credits, but not for the same wages).**
- **Employers cannot use the Employee Retention Credit for wages in which any credits under the WOTC or Paid Family Medical Leave credit will be used.**

# FFCRA Tax Credits – Sick Leave

- **Businesses with fewer than 500 employees are required to provide emergency paid sick leave. Employers receive a payroll tax credit for wages paid under this act.**
  - Sick leave- required to pay up to 80 hours to an employee who is unable to work due to quarantine order from feds, state, or local gov't; or are under quarantine order from doctor; having COVID-19 symptoms and are seeking a medical diagnosis. **A credit of 100% of wages paid, up to \$511 per day (\$5,110 total credit) is available.** Required for all employees regardless of how long they have worked for you.
  - Leave to care for family member with COVID-19 or no child care due to school/daycare closures. **A credit of up to 2/3 of the employee's pay, up to \$200 per day (\$2,000 total) is available.** Only required for employees who have worked for you more than 30 days.

# FFCRA Tax Credits – Emergency Family Medical Leave

- **Businesses with fewer than 500 employees are required to provide emergency family/medical leave. Employers receive a payroll tax credit for wages paid under this act.**
  - Extended leave to care for family member with COVID-19 or no child care due to school/daycare closures. **A credit of up to 2/3 of the employee's pay, up to \$200 per day for 10 weeks (\$10,000 total)** is available. Only required for employees who have worked for you more than 30 days.
  - Businesses with less than 50 employees would not be required to pay 2/3 pay if it would “jeopardize the business’s ability to continue.” However exclusion is not automatic and would need to be document their hardship.

# FFCRA Tax Credits

- Tax credits due to FFCRA leave pay can reduce payroll tax paid in per payroll. Excess can be refunded on Form 941 or on Form 7200.
- The IRS will provide penalty relief on late payments on payroll taxes if employer reasonably expected tax credits due to FFRCA or Employee Retention Credits and payroll tax payments are underpaid.
- Wages paid that qualify for FFCRA tax credits cannot count in total wages submitted for PPP loan forgiveness.



# Form 941

Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) **950220**

**Part 1: Answer these questions for this quarter. (continued)**

11d Total nonrefundable credits. Add lines 11a, 11b, and 11c . . . . . 11d

12 Total taxes after adjustments and nonrefundable credits. Subtract line 11d from line 10 . . . . . 12

13a Total deposits for this quarter, including overpayment applied from a prior quarter and overpayments applied from Form 941-X, 941-X (PR), 944-X, or 944-X (SP) filed in the current quarter . . . . . 13a

13b Deferred amount of the employer share of social security tax . . . . . 13b

13c Refundable portion of credit for qualified sick and family leave wages from Worksheet 1 . . . . . 13c

13d Refundable portion of employee retention credit from Worksheet 1 . . . . . 13d

13e Total deposits, deferrals, and refundable credits. Add lines 13a, 13b, 13c, and 13d . . . . . 13e

13f Total advances received from filing Form(s) 7200 for the quarter . . . . . 13f

13g Total deposits, deferrals, and refundable credits less advances. Subtract line 13f from line 13e . . . . . 13g

14 Balance due. If line 12 is more than line 13g, enter the difference and see instructions . . . . . 14

15 Overpayment. If line 13g is more than line 12, enter the difference  Check one:  Apply to next return.  Send a refund.

**Part 2: Tell us about your deposit schedule and tax liability for this quarter.**

If you're unsure about whether you're a monthly schedule depositor or a semiweekly schedule depositor, see section 11 of Pub. 15.

16 Check one:  Line 12 on this return is less than \$2,500 or line 12 on the return for the prior quarter was less than \$2,500, and you didn't incur a \$100,000 next-day deposit obligation during the current quarter. If line 12 for the prior quarter was less than \$2,500 but line 12 on this return is \$100,000 or more, you must provide a record of your federal tax liability. If you're a monthly schedule depositor, complete the deposit schedule below; if you're a semiweekly schedule depositor, attach Schedule B (Form 941). Go to Part 3.

You were a monthly schedule depositor for the entire quarter. Enter your tax liability for each month and total liability for the quarter, then go to Part 3.

Tax liability: Month 1

Month 2

Month 3

Total liability for quarter  Total must equal line 12.

You were a semiweekly schedule depositor for any part of this quarter. Complete Schedule B (Form 941), Report of Tax Liability for Semiweekly Schedule Depositors, and attach it to Form 941. Go to Part 3.

**You MUST complete all three pages of Form 941 and SIGN it.** **Next**

Page **2** Form **941** (Rev. 4-2020)

New questions

# Form 941

New Questions



950920

Name (not your trade name) \_\_\_\_\_ Employer identification number (EIN) \_\_\_\_\_

**Part 3: Tell us about your business. If a question does NOT apply to your business, leave it blank.**

17 If your business has closed or you stopped paying wages . . . . .  Check here, and enter the final date you paid wages  /  / ; also attach a statement to your return. See instructions.

18 If you're a seasonal employer and you don't have to file a return for every quarter of the year . . . . .  Check here.

19 Qualified health plan expenses allocable to qualified sick leave wages . . . . . 19  .

20 Qualified health plan expenses allocable to qualified family leave wages . . . . . 20  .

21 Qualified wages for the employee retention credit . . . . . 21  .

22 Qualified health plan expenses allocable to wages reported on line 21 . . . . . 22  .

23 Credit from Form 5884-C, line 11, for this quarter . . . . . 23  .

24 Qualified wages paid March 13 through March 31, 2020, for the employee retention credit (use this line only for the second quarter filing of Form 941) . . . . . 24  .

25 Qualified health plan expenses allocable to wages reported on line 24 (use this line only for the second quarter filing of Form 941) . . . . . 25  .

**Part 4: May we speak with your third-party designee?**  
Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS? See the instructions for details.

Yes. Designee's name and phone number    
Select a 5-digit personal identification number (PIN) to use when talking to the IRS.

No.

**Part 5: Sign here. You MUST complete all three pages of Form 941 and SIGN it.**  
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**X** Sign your name here  Print your name here   
Print your title here   
Date  /  /  Best daytime phone

**Paid Preparer Use Only** Check if you're self-employed . . .

Preparer's name  PTIN

Preparer's signature  Date  /  /

Firm's name (or yours if self-employed)  EIN

Address  Phone

City  State  ZIP code

Page 3 Form 941 (Rev. 4-2020)

## Worksheet 1. Credit for Qualified Sick and Family Leave Wages and the Employee Retention Credit

Keep for Your Records



### Determine how you will complete this worksheet

If you paid both qualified sick and family leave wages and qualified wages for purposes of the employee retention credit this quarter, complete Step 1, Step 2, and Step 3. If you paid qualified sick and family leave wages this quarter but you didn't pay any qualified wages for purposes of the employee retention credit this quarter, complete Step 1 and Step 2. If you paid qualified wages for purposes of the employee retention credit this quarter but you didn't pay any qualified sick and family leave wages this quarter, complete Step 1 and Step 3.

### Step 1. Determine the employer share of social security tax this quarter after it is reduced by any credit claimed on Form 8974 and any credit to be claimed on Form 5884-C

1a	Enter the amount of social security tax from Form 941, Part 1, line <a href="#">5a</a> , column 2	1a	_____
1b	Enter the amount of social security tax from Form 941, Part 1, line <a href="#">5b</a> , column 2	1b	_____
1c	Add lines 1a and 1b	1c	_____
1d	Multiply line 1c by 50% (0.50)	1d	_____
1e	If you're a third-party payer of sick pay that isn't an agent and you're claiming credits for amounts paid to your employees, enter the employer share of social security tax included on Form 941, Part 1, line <a href="#">8</a> (enter as a positive number)	1e	_____
1f	Subtract line 1e from line 1d	1f	_____
1g	If you received a Section 3121(q) Notice and Demand during the quarter, enter the amount of the employer share of social security tax from the notice	1g	_____
1h	<b>Employer share of social security tax.</b> Add lines 1f and 1g	1h	_____
1i	Enter the amount from Form 941, Part 1, line <a href="#">11a</a> (credit from Form 8974)	1i	_____
1j	Enter the amount to be claimed on Form 5884-C, line 11, for this quarter	1j	_____
1k	<b>Total nonrefundable credits already used against the employer share of social security tax.</b> Add lines 1i and 1j	1k	_____
1l	<b>Employer share of social security tax remaining.</b> Subtract line 1k from line 1h	1l	_____

Step 1: For Employers who have ERC or FFCRA Tax Credits - account for employer Social Security Tax first on this Worksheet. Tax credits are technically applied against ER Social Security tax as a non-refundable credit, then remainder as refundable credit.

Worksheet 1 does not account for any deferral of this amount.

Account for any payroll tax credits received for WOTC and R&D tax credits.

<b>Step 2. Figure the sick and family leave credit</b>			
2a	Qualified sick leave wages reported on Form 941, Part 1, line <a href="#">5a(i)</a> , column 1 . . . . .	2a	_____
2a(i)	Qualified sick leave wages included on line 5c, but not included on Form 941, Part 1, line 5a(i), column 1, because the wages reported on that line were limited by the social security wage base . . . . .	2a(i)	_____
2a(ii)	Total qualified sick leave wages. Add lines 2a and 2a(i) . . . . .	2a(ii)	_____
2b	Qualified health plan expenses allocable to qualified sick leave wages (Form 941, Part 3, line <a href="#">19</a> ) . . . . .	2b	_____
2c	Employer share of Medicare tax on qualified sick leave wages. Multiply line 2a(ii) by 1.45% (0.0145) . . . . .	2c	_____
2d	<b>Credit for qualified sick leave wages.</b> Add lines 2a(ii), 2b, and 2c . . . . .		2d _____
2e	Qualified family leave wages reported on Form 941, Part 1, line <a href="#">5a(ii)</a> , column 1 . . . . .	2e	_____
2e(i)	Qualified family leave wages included on line 5c, but not included on Form 941, Part 1, line 5a(ii), column 1, because the wages reported on that line were limited by the social security wage base . . . . .	2e(i)	_____
2e(ii)	Total qualified family leave wages. Add lines 2e and 2e(i) . . . . .	2e(ii)	_____
2f	Qualified health plan expenses allocable to qualified family leave wages (Form 941, Part 3, line <a href="#">20</a> ) . . . . .	2f	_____
2g	Employer share of Medicare tax on qualified family leave wages. Multiply line 2e(ii) by 1.45% (0.0145) . . . . .	2g	_____
2h	<b>Credit for qualified family leave wages.</b> Add lines 2e(ii), 2f, and 2g . . . . .		2h _____
2i	<b>Credit for qualified sick and family leave wages.</b> Add lines 2d and 2h . . . . .		2i _____
2j	<b>Nonrefundable portion of credit for qualified sick and family leave wages.</b> Enter the smaller of line 1l or line 2i. Enter this amount on Form 941, Part 1, line 11b . . . . .		2j _____
2k	<b>Refundable portion of credit for qualified sick and family leave wages.</b> Subtract line 2j from line 2i and enter this amount on Form 941, Part 1, line 13c . . . . .		2k _____

Step 2: FFCRA Sick and Family Leave Credits- Wages and health plan expenses attributable to qualified sick and family leave will be calculated here. Credit is total of qualifying sick leave wages, health plan expenses AND employer share of Medicare taxes. Reminder: these wages did NOT have employer share of SS tax calculated on them.

<b>Step 3. Figure the employee retention credit</b>			
3a	Qualified wages (excluding qualified health plan expenses) for the employee retention credit (Form 941, Part 3, line <a href="#">21</a> )	3a	20,000
3b	Qualified health plan expenses allocable to qualified wages for the employee retention credit (Form 941, Part 3, line <a href="#">22</a> )	3b	
3c	Qualified wages (excluding qualified health plan expenses) paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line <a href="#">24</a> ). Enter an amount here only for the second quarter Form 941	3c	
3d	Qualified health plan expenses allocable to qualified wages paid March 13, 2020, through March 31, 2020, for the employee retention credit (Form 941, Part 3, line <a href="#">25</a> ). Enter an amount here only for the second quarter Form 941	3d	
3e	Add lines 3a, 3b, 3c, and 3d	3e	20,000
3f	<b>Retention credit.</b> Multiply line 3e by 50% (0.50)	3f	10,000
3g	Enter the amount of the employer share of social security tax from Step 1, line 1h	3g	1,488
3h	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave wages from Step 2, line 2j	3h	
3i	Subtract line 3h from line 3g	3i	1,488
3j	<b>Nonrefundable portion of employee retention credit.</b> Enter the smaller of line 3f or line 3i. Enter this amount on Form 941, Part 1, line 11c	3j	1,488
3k	<b>Refundable portion of employee retention credit.</b> Subtract line 3j from line 3f and enter this amount on Form 941, Part 1, line 13d	3k	8,512

**Caution:**  
Only complete lines 3c and 3d for your second quarter 2020 Form 941.

Step 3: Employee Retention Credit. Wages and health plan expenses attributable to employee retention credit will be calculated here. Credit is 50% of qualified wages (up to \$10,000 of wages per employee and qualified health plan expenses.) Portion attributable to SS tax is calculated as non-refundable whereas remainder may be refundable.

Line 3C is where amounts from 1Q20 can be calculated.

What are “health plan expenses” – group health premiums paid by employer that aren’t counted as part of the employee’s W-2 wages. (ER plus EE pre-tax amounts)

## Form 941 – Items to Note

- **An employer can claim both the Employee Retention Credit and the credit for wages paid under FFCRA – but must use different wages toward each credit.**
  - Example: An employee receives \$10,000 total in 2Q20, all of which would qualify for the ERC. However \$2,000 of the wages were due to FFCRA (no childcare).
    - You would claim \$2,000 of wages toward FFCRA and \$6,000 towards the ERC.

## Form 941 – Items to Note

- **Wages used for ERC and FFCRA tax credits cannot also be used for PPP loan forgiveness calculation.**
- **Tax deductions for wages paid are reduced by the amount of ERC and FFCRA credits received.**
- **IRS also says no tax deduction for expenses paid with forgiven PPP loans as well.**

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**Questions?**

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