

How to use 2020 Form W-4 for BusinessWorks v2011 (and older)

IRS 2020 Form W-4 is significantly different than prior W-4 forms in that it:

- No longer uses allowances, but uses deductions instead
- Provides a worksheet to adjust withholdings based on deductions
- Provides a worksheet to adjust withholdings based on holding multiple jobs at the same time, and/or married filing jointly and the spouse also earns wages

BusinessWorks v2011 (and older) does not have the ability to record 2020 Form W-4 information, so some accommodations are needed to provide BusinessWorks this information in order for it to accurately calculate payroll withholdings. With the employee:

- 1) Using the employee's 2020 Form W-4 information and worksheets, complete Worksheet 1 from Page 5 in IRS Publication 15-T (can also be found on the next page)
- 2) Use the number of qualifying children they claim in Step 3 for Federal Allowances in their Employee Status in BusinessWorks (see image below)
- 3) Use the amount on Line 4(b) from Worksheet 1 as Extra Withholding in their Employee Status in BusinessWorks (see image below)
- 4) Run a sample payroll for the employee to print a Payroll Register. If the amount withheld for Federal Withholding Tax (FWT) does not equal (or nearly equal) the amount on Line 4(b) from Worksheet 1, adjust their allowances (higher = lower withholding), and/or their Extra Withholding amount in their Employee Status in BusinessWorks (see image below) until the FWT equals or is close to the amount from Line 4(b).

Maintain Employees / Status

Federal

Filing status: Married

FWT exempt

DASDI exempt

Medicare exempt

FUTA exempt

Allowances: 0

EIC status: Not used

Ag employee

Extra W/H amount: 0.00

Min wage makeup

Illinois

Filing status: Married

SWT exempt

SDI exempt

SUI exempt FUTA Rate: n/a

Allowances: 0

Extra allowances: 0

Exemption amount: 0.00

Extra W/H amount: 0.00

OK Cancel How Do I...

Contact FLI Support if you need assistance

1. Percentage Method Tables for Automated Payroll Systems

If you have an automated payroll system, use the worksheet below and the Percentage Method tables that follow

to figure federal income tax withholding. This method works for Forms W-4 from 2019 or earlier and Forms W-4 from 2020 or later. This method also works for any amount of wages. If the Form W-4 is from 2019 or earlier, this method works for any number of withholding allowances claimed.

Worksheet 1. Employer's Withholding Worksheet for Percentage Method Tables for Automated Payroll Systems

Keep for Your Records 

Table 3	Semiannually	Quarterly	Monthly	Semi-monthly	Biweekly	Weekly	Daily
	2	4	12	24	26	52	260

Step 1. Adjust the employee's wage amount

1a Enter the employee's total taxable wages this payroll period 1a \$ _____

1b Enter the number of pay periods you have per year (see Table 3) 1b _____

1c Multiply the amount on line 1a by the number on line 1b 1c \$ _____

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 \$ _____

1e Add lines 1c and 1d 1e \$ _____

1f Enter the amount from Step 4(b) of the employee's Form W-4 1f \$ _____

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 \$ _____

1h Add lines 1f and 1g 1h \$ _____

1i Subtract line 1h from line 1e. If zero or less, enter -0-. This is the **Adjusted Annual Wage Amount** 1i \$ _____

If the employee **HAS NOT** submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1j Enter the number of allowances claimed on the employee's most recent Form W-4 1j _____

1k Multiply line 1j by \$4,300 1k \$ _____

1l Subtract line 1k from line 1c. If zero or less, enter -0-. This is the **Adjusted Annual Wage Amount** 1l \$ _____

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 **Adjusted Annual Wage Amount** from line 1i or 1l above 2a \$ _____

2b Find the row in the appropriate **Annual Percentage Method** 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 \$ _____

2c Enter the amount from column C of that row 2c \$ _____

2d Enter the percentage from column D of that row 2d % _____

2e Subtract line 2b from line 2a 2e \$ _____

2f Multiply the amount on line 2e by the percentage on line 2d 2f \$ _____

2g Add lines 2c and 2f 2g \$ _____

2h Divide the amount on line 2g by the number of pay periods on line 1b. This is the **Tentative Withholding Amount** 2h \$ _____

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 \$ _____

3b Divide the amount on line 3a by the number of pay periods on line 1b 3b \$ _____

3c Subtract line 3b from line 2h. If zero or less, enter -0- 3c \$ _____

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 \$ _____

4b Add lines 3c and 4a. This is the amount to withhold from the employee's wages this pay period 4b \$ _____