



Everything You Need to Know about 2021 W-4

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What do you need to know about Form W-4?

- ▶ Employees who have not had significant life changes like getting married or having kids have probably not filled out a W-4 in a LONG time.
- ▶ That's why we recommend that you remind your team about the importance of reviewing their withholdings every year. In addition, any new employees must fill out a W-4.

What do you need to know about Form W-4?

- ▶ If that isn't reason enough to revisit Form W-4, with the passage of the [Tax Cuts & Jobs Act](#) (TCJA) in 2017, major changes to employee withholding came to pass. Those changes affected many taxpayers in many ways—and they're still taking place.

A few things that changed in 2020 that are still in effect on the 2021 W-4 form:

1. The Name

- ▶ Historically, Form W-4's title was "Employee's Withholding Allowance Certificate." Starting in 2020, Form W-4 no longer calculated "allowances," so the title has been shortened to "Employee's Withholding Certificate."

2. Buh-Bye, Personal Allowances Worksheet

- ▶ That's right, the Personal Allowance Worksheet from page three of the old Form W-4 disappeared in 2020—and it remains gone in the 2021 form.
- ▶ Why? The TCJA eliminated personal exemptions. These exemptions allowed for deductions against a taxpayer's personal income, which reduced their taxable income, and therefore, their federal income tax. These exemptions were tied to allowances, but since exemptions are now gone, the need to determine the number of allowances is gone too.

The 5 steps in Form W-4

- ▶ Now, let's dig into each step so you can successfully navigate the W-4 form.

Step 1: Enter Personal Information

This step must be completed by all employees. If an employee does not fill out the form, you are required to calculate their withholding as “Single” so you can withhold their taxes at the higher “Single” rate.

Form W-4 Department of the Treasury Internal Revenue Service	Employee's Withholding Certificate		OMB No. 1545-0074
	▶ 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.		2021
Step 1: 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 www.ssa.gov .
	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.)			

Step 2: Multiple Jobs or Spouse Works

- ▶ The message before Step 2 gives instructions on where to find guidance for any employees who may be exempt from withholding. If your employee asks, direct them to that language, outlined below.
- ▶ This message also instructs any employees who do not need to fill out steps two through four to step five, which everyone must complete.

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.

Step 2: 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.

Multiple Jobs or Spouse Works Do **only one** of the following.

(a) Use the estimator at 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.)

For Step 2, employees only need to complete option (a), (b), or (c).

- ▶ Options (a) and (b) will take employees away from the form itself, while option (c) can be done right on the form.
- ▶ The IRS has stated that option (a) will give employees the most accuracy and privacy of the three since the new withholding estimator will compute all the relevant entries for the form. Option (b) also provides accuracy but requires manual work, and (c) is the least accurate since it assumes the jobs have similar pay, but it's the easiest to complete.

Step 3. Dependents

Step 3: 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 ▶	\$ <input type="text"/>	
	Multiply the number of other dependents by \$500 ▶	\$ <input type="text"/>	
	Add the amounts above and enter the total here	3	\$ <input type="text"/>

Child Tax Credit

- ▶ Single taxpayers with a total income of \$200,000 or less (\$400,000 if married filing jointly) are eligible for the child tax credit. Employees should pay attention to the definitions in [IRS Publication 972 – Child Tax Credit](#) if they're looking to claim the credit.

Step 4 is optional: Other Adjustments

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

(a) Other income (not from jobs). 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) Deductions. 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) \$

(c) Extra withholding. Enter any additional tax you want withheld each pay period

4(c) \$

Step 4 is for various things that an employee may want to account for when considering their withholding.

- ▶ These areas include:
- ▶ (a): **Other income** (not from jobs). Additional income that might *not* be subject to withholding, like retirement income or dividends.
- ▶ (b): **Deductions**. This line is for deductions **other than the standard deduction**. This includes all itemized deductions like mortgage interest and charitable contributions minus the standard deduction. Remember that, in general, the standard deduction reduces a taxpayer's adjusted gross income to arrive at taxable income. The greater of the standard deduction or itemized deductions will help reduce the amount of tax due. The [2021 standard deduction](#) is \$25,100 for married taxpayers filing jointly; \$12,550 for single and married filing separately taxpayers; \$18,800 for those filing as head of household.
- ▶ (c): **Extra withholding**. Any extra withholding that the employee would like to withhold each pay period.

Step 5: Make sure you have signed the form.

- ▶ If you don't complete this final step, the form is invalid.

Actions

Deduction: FED TAX W/H

Marital Status: Head of Household - (Standard Rate)

Parameters
Exemption Amount: \$3800.00 Year: 2021

Deduction Table(Filter)

	Over	But Not Over	Amount	Percent	of Excess Over
▶	\$0.00	\$10,050.00	\$0.00	0.0000	\$0.00
	\$10,050.00	\$24,150.00	\$0.00	10.0000	\$10,050.00
	\$24,150.00	\$63,750.00	\$1,410.00	12.0000	\$24,150.00
	\$63,750.00	\$95,550.00	\$6,162.00	22.0000	\$63,750.00
	\$95,550.00	\$173,350.00	\$13,158.00	24.0000	\$95,550.00
	\$173,350.00	\$217,400.00	\$31,830.00	32.0000	\$173,350.00
	\$217,400.00	\$528,450.00	\$45,926.00	35.0000	\$217,400.00
	\$528,450.00	\$9,999,999.00	\$154,793.50	37.0000	\$528,450.00

OK Cancel Help

Actions

Deduction: FED TAX W/H

Marital Status: Single - (Standard Rate)

Parameters

Exemption Amount: \$3800.00 Year: 2021

Deduction Table(Filterd)					
	Over	But Not Over	Amount	Percent	of Excess Over
▶	\$0.00	\$3,800.00	\$0.00	0.0000	\$0.00
	\$3,800.00	\$13,675.00	\$0.00	10.0000	\$3,800.00
	\$13,675.00	\$43,925.00	\$987.50	12.0000	\$13,675.00
	\$24,150.00	\$63,750.00	\$1,410.00	12.0000	\$24,150.00
	\$26,263.00	\$48,963.00	\$2,308.75	22.0000	\$26,263.00
	\$43,925.00	\$89,325.00	\$4,617.50	22.0000	\$43,925.00
	\$89,325.00	\$167,100.00	\$14,605.50	24.0000	\$89,325.00
	\$167,100.00	\$211,150.00	\$33,271.50	32.0000	\$167,100.00

OK Cancel Help

Actions

Deduction: FED TAX W/H

Marital Status: Married Filing Jointly - (Standard Rate)

Parameters

Exemption Amount: \$3800.00 Year: 2021

Deduction Table(Filterd)					
	Over	But Not Over	Amount	Percent	of Excess Over
▶	\$0.00	\$11,900.00	\$0.00	0.0000	\$0.00
	\$11,900.00	\$31,650.00	\$0.00	10.0000	\$11,900.00
	\$31,650.00	\$92,150.00	\$1,975.00	12.0000	\$31,650.00
	\$92,150.00	\$182,950.00	\$9,235.00	22.0000	\$92,150.00
	\$182,950.00	\$338,500.00	\$29,211.00	24.0000	\$182,950.00
	\$338,500.00	\$426,600.00	\$66,543.00	32.0000	\$338,500.00
	\$426,600.00	\$633,950.00	\$94,735.00	35.0000	\$426,600.00
	\$633,950.00	\$9,999,999.00	\$167,307.50	37.0000	\$633,950.00

OK Cancel Help

2020 Percentage Method Tables for Automated Payroll Systems

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)					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—	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—				At least—	But less than—			
A	B	C	D	E	A	B	C	D	E
Married Filing Jointly					Married Filing Jointly				
\$0	\$11,900	\$0.00	0%	\$0	\$0	\$12,400	\$0.00	0%	\$0
\$11,900	\$31,650	\$0.00	10%	\$11,900	\$12,400	\$22,275	\$0.00	10%	\$12,400
\$31,650	\$92,150	\$1,975.00	12%	\$31,650	\$22,275	\$52,525	\$987.50	12%	\$22,275
\$92,150	\$182,950	\$9,235.00	22%	\$92,150	\$52,525	\$97,925	\$4,617.50	22%	\$52,525
\$182,950	\$338,500	\$29,211.00	24%	\$182,950	\$97,925	\$175,700	\$14,605.50	24%	\$97,925
\$338,500	\$426,600	\$66,543.00	32%	\$338,500	\$175,700	\$219,750	\$33,271.50	32%	\$175,700
\$426,600	\$633,950	\$94,735.00	35%	\$426,600	\$219,750	\$323,425	\$47,367.50	35%	\$219,750
\$633,950		\$167,307.50	37%	\$633,950	\$323,425		\$83,653.75	37%	\$323,425
Single or Married Filing Separately					Single or Married Filing Separately				
\$0	\$3,800	\$0.00	0%	\$0	\$0	\$6,200	\$0.00	0%	\$0
\$3,800	\$13,675	\$0.00	10%	\$3,800	\$6,200	\$11,138	\$0.00	10%	\$6,200
\$13,675	\$43,925	\$987.50	12%	\$13,675	\$11,138	\$26,263	\$493.75	12%	\$11,138
\$43,925	\$89,325	\$4,617.50	22%	\$43,925	\$26,263	\$48,963	\$2,308.75	22%	\$26,263
\$89,325	\$167,100	\$14,605.50	24%	\$89,325	\$48,963	\$87,850	\$7,302.75	24%	\$48,963
\$167,100	\$211,150	\$33,271.50	32%	\$167,100	\$87,850	\$109,875	\$16,635.75	32%	\$87,850
\$211,150	\$522,200	\$47,367.50	35%	\$211,150	\$109,875	\$265,400	\$23,683.75	35%	\$109,875
\$522,200		\$156,235.00	37%	\$522,200	\$265,400		\$78,117.50	37%	\$265,400
Head of Household					Head of Household				
\$0	\$10,050	\$0.00	0%	\$0	\$0	\$9,325	\$0.00	0%	\$0
\$10,050	\$24,150	\$0.00	10%	\$10,050	\$9,325	\$16,375	\$0.00	10%	\$9,325
\$24,150	\$63,750	\$1,410.00	12%	\$24,150	\$16,375	\$36,175	\$705.00	12%	\$16,375
\$63,750	\$95,550	\$6,162.00	22%	\$63,750	\$36,175	\$52,075	\$3,081.00	22%	\$36,175
\$95,550	\$173,350	\$13,158.00	24%	\$95,550	\$52,075	\$90,975	\$6,579.00	24%	\$52,075
\$173,350	\$217,400	\$31,830.00	32%	\$173,350	\$90,975	\$113,000	\$15,915.00	32%	\$90,975
\$217,400	\$528,450	\$45,926.00	35%	\$217,400	\$113,000	\$268,525	\$22,963.00	35%	\$113,000
\$528,450		\$154,793.50	37%	\$528,450	\$268,525		\$77,396.75	37%	\$268,525