

Juniata College

Employee Guidance for Completing W-4

This form instructs the Payroll Office how to tax your wages for federal tax purposes and has five steps. The steps required for all employees to complete are steps 1 and 5. Step 1 is where you enter personal information like your name and filing status, and Step 5 is where you sign the form. **Non-Resident Aliens should skip to “International Employee (Non-Resident Alien) Instructions” at the end of this document.**

Complete Steps 2 - 4 ONLY if they apply to you to generally permit adjustments of withholding to compensate for two-earner households, other income, tax credits or deductions. By completing these additional steps, your withholding will more accurately match your liability.

You should generally increase your withholding if:

- you hold more than one job at a time or you and your spouse both have jobs (Step 2 - For additional information on this section see <https://www.irs.gov>, Frequently Asked Questions About the Form W-4.) or
- you have income from sources other than jobs or self-employment that is not subject to withholding (Step 4(a))

You will very likely owe additional tax when filing your tax return and potential penalties, without adjustments for these situations. For income from sources other than jobs, you may pay estimated tax instead of having extra withholding)

You should generally decrease your withholding if:

- you are eligible for income tax credits such as the child tax credit or credit for other dependents (Step 3), and/or
- you are eligible for deductions other than the basic standard deduction, such as itemized deductions, the deduction for IRA contributions, or the deduction for student loan interest (Step 4(b)).

Employees with multiple jobs or spouses who also work are directed to do one of the following:

- a) **Tax Withholding Estimator** www.irs.gov/W4app or
- b) **Multiple Jobs Worksheet** or
- c) **Checkbox** - The IRS emphasizes that if an employee opts for the checkbox, BOTH spouses should check the box. However, only ONE spouse should complete Steps 3 and 4(a) and (b), which are child and dependent tax credits, other income, and deductions.

Why do I need to account for multiple jobs, when I have never done that before? Tax rates increase as income rises and regardless of the number of jobs, so on your tax return you may claim only one standard deduction. Therefore, if you have more than one job at a time or are married filing jointly and both you and your spouse work, more money should usually be withheld from the combined pay for all the jobs than would be withheld from each individual job. To avoid owing additional tax and potential penalties when you file your tax return, you must make withholding adjustments using the W-4. All of this has been true for many years; it did not change with the recent tax law changes. The old Form W-4 accounted for multiple jobs using detailed instructions and worksheets that many employees may have overlooked. Step 2 of the redesigned Form W-4 lists three different options you should choose from to make the necessary withholding adjustments. Note that, to be accurate, you should furnish a 2020 Form W-4 for all of these jobs.

How does the checkbox work? Essentially, the tax tables divide the standard deduction and tax brackets equally between two jobs, so that tax rates apply at roughly half of the income threshold that normally applies. For example, for the Married Filing Jointly status, the 24% rate normally applies for wages over roughly \$180,000, but if the Step 2 box is checked, the 24% rate applies to wages over about \$96,000. Withholding may be substantially higher than the normal schedule, but the tax bracket and rate will be correct for the combined family income. Individuals who will file as Single or Head of Household may also use this checkbox, but there is no guarantee that checking the box will result in a refund. Tax refunds or amounts due depend on the comprehensive tax situation for the family or individual, compared to the amount withheld throughout the year.

Self-Employment (Step 4a): If you have income from self-employment (including as an independent contractor), you will generally owe both income tax and self-employment tax. The W-4's primary intended use is for employees not subject to self-employment tax, so the W-4 does not compute self-employment tax. To adjust withholding in order to account for self-employment income that you will receive from another source, use the Tax Withholding Estimator www.irs.gov/W4app or IRS Publication 505.

Want a Refund (Step 4c): The redesigned Form W-4 makes it easier for you to have your withholding match your tax liability. If you prefer to have more tax than necessary withheld from each paycheck to get a refund when you file your tax return (keep in mind though you do not earn interest on the amount you overpay), the simplest way to increase your withholding is to enter an additional amount in Step 4(c). Note: even if you do not have any income tax withheld from your wages, you may get a refund if you are eligible for tax credits such as the Earned Income Credit, the Additional Child Tax Credit, or American Opportunity Credit.

To Claim Exemption from Withholding: qualifying employees (not NRA's) may claim exemption from withholding if they meet both of the following qualifications: (1) owed no federal tax in prior year, and (2) expect to owe no federal income tax in current year. Employees may certify meeting both qualifications by writing "Exempt" in the space below Step 4(c) in addition to completing steps 1 and 5. Submit a new Form W-4 annually, generally, by February 15 each year.

International Employee (Non-Resident Alien) Instructions:

- **Must complete Steps 1, 5 and Below 4(c)** – see information on requirements for specific fields below.
- Step 1(c): Personal Information. **MUST** check the Single or Married filing separately box regardless of your actual marital status.
- Step 2: Multiple Jobs or Spouse Works. Do not complete this section unless you have more than one job at the same time. Do not account for your spouse's job because nonresident aliens may not file jointly. See Notice 1392 for more information. Nonresident aliens should not use the Tax Withholding Estimator.
- Step 3: Claim Dependents. Only certain nonresident aliens should use Step 3. Nonresident aliens from Canada, Mexico, South Korea, or India may be able to claim the child tax credit or the credit for other dependents. See Pub. 519 and Pub. 972 for more information.
- Step 4(a): If you want tax withheld for other income this year that won't have withholding and the income is taxable in the United States, enter the amount of other income here. Do not include any income from any jobs or self-employment. See Pub. 519 for more information.
- Step 4(b): Nonresident alien itemized deductions and adjustments to income may be limited. See Pub. 519 for more information. If you expect to claim itemized deductions and/or adjustments to income (such as the student loan interest deduction), add your itemized deductions and adjustments to income and enter the amount in Step 4(b).
- Below Step 4(c): **MUST** write "nonresident alien" or "NRA" in the space below Step 4(c). To have an additional tax withheld, enter the amount in Step 4(c).