Is Your HCM Solution Keeping You in Compliance With the New Form W-4? Take This Challenge to Find Out

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The drastic change to **Form W-4** and the entire federal income tax withholding process that took effect on January 1 this year (**check out our blog article on the topic here**) created lots of questions for employees, lots of compliance challenges for employers, and more than a little confusion for some HCM providers. Recent employer feedback shows that a number of software solutions are not able to accommodate all the new data items on the form as a result of the Tax Cuts and Jobs Act of 2017. Certain other applications integrated the new form, with a focus on user experience at the expense of compliance. Is your provider/software taking proper care of you? If you are not sure, check out the following. If you cannot answer “yes” to **ALL** questions, then your “solution” is not keeping you

in compliance with IRS requirements. (If you're not sure of the answers, check your federal tax-setup screen or ask your provider.)

1. Is "Head of household" an option for filing status?
2. Does the system support two sets of federal withholding tables? One for pre-2020 W-4s or employees without the multiple job selection, and one for post-2020 W-4s with the multiple jobs selection?
3. For pre-2020 W-4s, is the number of withholding exemptions multiplied by $4,300?
4. Once an employee is paid using data on a 2020 W-4, are you blocked from going back to pre-2020 W-4 settings?

Example: If an employee is paid with the higher tax calculation in effect, will the system stop you from paying them next week as "married claiming 3 exemptions"?

1. Is there a place to enter the projected credit amount?
2. Can the credit amount be any number (not just a multiple of $2,000)?*
3. Is the credit treated as an **annual** amount by your system?
4. Is there a place to enter other non-job income?
5. Is other income treated as an **annual** amount by your system?
6. Is there a place to enter deductions?
7. Are the deductions treated as an **annual** amount by your system?
8. Is there a place to enter extra withholding?
9. Is the extra withholding treated as a **per pay period** amount by your system?
10. Is there an option to indicate an employee's exemption from withholding?
11. If you maintain an electronic Form W-4 system, does the "exemption from withholding" option include the two conditions that employees are certifying that they meet: "you had no federal income tax liability in 2019 and you expect to have no federal income tax liability in 2020"?
12. Is there an option to indicate an employee's NRA (non-resident alien) status?
13. Are NRA add-to-wage amounts different for pre-2020 W-4s and for 2020 W-4s?

*Note: Because of a desire to enhance the client experience and a mistaken reading of IRS instructions, some systems are limiting credits to multiples of $2,000. This is not compliant – credits can be any amount greater than 0. Viventium answers "yes" to all 17 challenges. For more information, visit our **Resources page**, and if you want to learn more about how Viventium's software and services can help, **click here**.

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