



July 6, 2018

Internal Revenue Service  
Washington, DC

RE: 2019 Form W-4, *Employee's Withholding Allowance Certificate*

Dear Sir/Madam:

On behalf of the National Association of State Comptrollers we appreciate the opportunity to comment on a draft version of the 2019 Form W-4, *Employee's Withholding Allowance Certificate*, and instructions for the form.

NASC is an organization that works to enhance the effectiveness of state comptrollers and to improve financial management through cooperation, information sharing, education and advocacy of the issues affecting government finance including payroll operations in state government.

Our main concern is that the new form and instructions may be too complex for the average employee to understand or that employers will be required to update their payroll systems to maintain personal income tax data for each of their employees. In the payroll and human resources world, the W-4 is only one of many forms that newly-hired employees must complete, including other federally required forms. The W-4 form may overwhelm the average new employee and will likely not be completed as expected. We believe that employees who are confused by the new form and instructions will turn to their payroll/human resource (HR) offices for assistance. In turn, payroll/HR will advise employees to seek advice from the Internal Revenue Service (IRS) or their tax professional. Will there be an FAQ document available for taxpayer use?

In addition, we are concerned about the timing of the new form, as system changes will need to be programmed, tested, and moved to production prior to the first payroll process for January of 2019. Many states pay their employees on January 2, 2019 for the pay period between December 1, 2018, and December 31, 2018. Therefore, all the system changes must be in place on or before December 1, 2018. The tax tables must be uploaded, and the W-4 calculation of taxes must be in place to be in compliance. It also appears that a new Form W-4 will not be required for all employees. Systems will need to be programmed not only to accommodate the new form but to also keep the logic for the current form in place, adding to the complexity involved in incorporating these changes. It is also unclear whether payroll Departments should continue to use Single/0 as the default for employees who have not submitted a W-4 or if that default should be changed beginning in January 2019 to Single/2 or Married/3.

We submit the following comments for your consideration:

*Specific Comments on Form W-4 by Line*

Line 3

- The instructions for the W-4 for Line 3 do not address or discuss the allowances that are associated with the selection on Line 3. However, the instructions for the deduction worksheet on page 6 appear to provide an amount for use in completing that worksheet. It might be helpful if that amount were somehow noted or annotated on the form itself.



- Should line 3 have two options: 1) single or married filing separately, and 2) married filing jointly or head of household, since single and married filing separately both assume two allowances and married filing jointly and head of household both assume three allowances?

#### Lines 5-9

- The instructions for Lines 5, 6, 7 and 8 do not explain that the amounts entered on those lines are to be annual amounts. The instruction booklet makes it somewhat clearer that this is an annual amount but only in the section entitled “Instructions for Employers,” not in the employee area. It would be helpful if this were stated on the form itself.
- We suggest that the pay referenced on Line 8 be always referenced as “taxable wages.” The draft version has it written as “total pay.”
- Additionally, lines 5-9 could be transitioned from the face of the form to a supporting worksheet. The flow of the form would then be:
  - Line 3- Filing status
  - Line 5- Additional amount to withhold (non-wage income, two earners/multiple jobs)
  - Line 6- Reduction in withheld amounts (only applicable if using credits or if itemized deductions >stated standard deductions)
  - Line 7 equal to existing proposed line 10

In this case, the employee could complete boxes 1-4 and be done *unless* they needed to complete the other boxes. If they know of a need to withhold additional amounts or reduce the withheld amounts, then they would simply complete the worksheets. If not, they are done.

#### Other

- Include instructions for Lines 10-13.
- Include the specific exemption expiration date in the instructions included with the form W-4 (currently it is included in the separate instructions).

#### *Instructions for Form W-4*

Instructions for Form W-4 are too long, complex and confusing (with instructions for lines included in multiple areas throughout the document) for the average taxpayer to understand. We offer the following comments.

- Instructions for the employee are now seven pages long, as the one-page instructions provided on the draft W-4 are not enough for an individual to complete this form.
- Instructions need to be clarified, as they reference multiple tax terms, deductions and credits.
- Instructions also reference multiple publications for the employee to read in order to understand worksheets and data entered on them.
- Reading the W-4 instructions and the reference to deductions/credits/publications assumes that the average employee will understand all the IRS references and materials.



- The average individual does not file their own taxes. It is not a safe assumption that employees will be able to understand the tax terms used and read multiple long publications just to fill out a W-4 for estimated withholding.
- The new form/instructions require an employee to create an estimated income tax form (through worksheets). As noted previously, many individuals do not file their own taxes, or they may use a tax software program to determine this information. Therefore, these taxpayers do not have a basic understand of filling out income taxes, let alone estimating everything that would go into a tax form that they would file at the end of the year.
- The instructions assume that everyone has access to the internet. W-4 instructions are pointing to publications or the IRS Tax Calculator, both of which are online.
- Employees must understand the difference between taxable wages and regular wages to fill out the W-4. Employees will need to estimate what they believe their taxable wages will be for the year. For the average employee this could be a challenge. The complexity could result in many employees needing to pay their tax preparer to prepare their W-4.
- When tiering income, the W-4 form becomes very complex for an individual who has two jobs and whose spouse also works.
- There is no place for a taxpayer to estimate their own allowances if they choose not to complete the complex process of determining all the tax information.
  - This could cause the W-4 to become more volatile by calendar year (and potentially throughout the year due to pay changes). Whereas before you could depend on your marital status and exemptions/allowances (including additional amount) to work closely with your adjusting income between calendar years (without changing them), an employee will need to go through this exercise annually as it is using ACTUAL entered amounts and not estimated allowances.
  - This complicates the tax calculation in the payroll system. With this method the employer must:
    - Calculate estimate taxes on an employee's other job(s).
    - Have a calculation process that now considers all annual estimated income, deductions and credits.
    - Be aware that testing and recalculation of withholding on taxable wages become more complex. An employer cannot just look at the taxable income on the payment and employee allowances but also must determine what other amounts are entered on the employees W-4 related to other income, deductions and credits.
    - Payroll systems will now be required to maintain more data which results in an increase in storage for large employers.
- The one-page instructions on the Form W-4 do not reveal how many allowances (single – 2, married – 3) will automatically apply. That information should be included on the form's instructions (as it is explained in the employer section of the extended W-4 instructions).
- Many employees will not want to supply their employer with all the income tax information that the W-4 is requesting.
- Clarifying instruction reiterating that the additional amount is a per pay period amount should be included for Line 9 on the W-4 form one-page instructions, not just in the W-4 extended instructions.
- There is a risk that if the taxpayer enters an amount on the incorrect line (e.g., enters an income amount in box 6 or 7 rather than box 5 or 8) then there could be a significant underpayment of taxes.



- Additional guidance is needed for handling non-resident aliens. Also, the draft instructions refer to Notice 1392, which hasn't been updated since November 2013.
- Include the form and all the instructions and worksheets in one document.

#### *Errors in Instructions for Form W-4*

The examples in the instruction booklet on pages 7 and 8 seem to have some errors.

In example 2, Jose and Maria appear to have itemized deductions, but in the explanation, the reference to the Deductions Worksheet only mentions an amount for Line 1 and then XX, XXX as the amount on Line 2 for the standard deduction. This is likely a place holder, but it would be more helpful if the example used a reference to the 2018 tables to show the math.

Example 3 (on page 8) shows that Harlan can use the credit worksheet because his mother can be claimed as a dependent. However, the narrative instructs that Harlan will enter \$500 on Line 1 of the credit worksheet – Line 1 is shown as child tax credit. It seems more reasonable that Harlan would enter \$500 on Line 2 of the credit worksheet.

In the instruction booklet, the expectation is that a new employee will use potentially three separate worksheets to compute the amounts to enter onto four lines on the W-4. The employee will only be aware of the worksheets (deductions worksheet, credit worksheet and multiple jobs worksheet) if he or she goes online and downloads the instruction booklet. If the expectation is that the employer will stock both W-4 forms and booklets or enhance their online systems to have the information, not only available online but interactive such that each employee can enter his or her own information and have it upload to the W-4 form appropriately, that seems to be a rather large expectation.

In the withholding example that starts on page 9, the employer is to add the amount entered on Line 8 of the W-4 to compute the employee's pay period taxable wages and tax amounts. Then in Step 6, tax is computed on Line 8 independent of other amounts and subtracted from total tax computed in Step 5 to get the result in Step 7. This seems like a lot of extra steps to compute withholding and assumes that the employee would accurately be able to predict their spouses and/or another job's taxable wages at the beginning of a tax year. In working through the withholding example on pages 9 and 10, there appears to be an error in either the math or the step referenced in Step 7. Step 7 says:

“The employer subtracts the result from Step 6 from the result from Step 4. The result for Step 7 is \$346 (\$355 - \$9) per pay period.”

The result from Step 6 is \$355 as shown on page 9, not \$367. Interestingly, the result from Step 5 on page 9 is \$355, which matches the example “math” in the explanation of Step 7.

Why does the withholding example only reference the Wage Bracket method in the example? Most, if not all, payroll systems use the Percentage Method.

- Will the Percentage Method be allowed?
- Will it be used in an example in the final version?

The example can be used as a verification tool to ensure that the systems are properly programmed.



Thank you for the opportunity to provide our comments and observations on the draft W-4 form and instructions. Should you have any questions or desire additional information please feel free to contact our representative in Washington, Cornelia Chebinou at [cchebinou@nasact.org](mailto:cchebinou@nasact.org) or (202) 624-5451.

Regards,

A handwritten signature in black ink, appearing to read "Alan Skelton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alan Skelton, Georgia State Accounting Officer  
NASC President