



April 07, 2020

Internal Revenue Service
Room 5203 (P.O. Box 7604)
Ben Franklin Station,
Washington, DC 20044.

RE: C:PA:LPD:PR (REG-132741-17)

Dear Sir/Madam:

On behalf of the National Association of State Comptrollers (NASC) and its Payroll Information Sharing Group, we appreciate the opportunity to provide comments on the proposed regulations concerning the amount of Federal income tax to withhold from employee's wages, implementing recent changes in the Internal Revenue Code made by the Tax Cuts and Jobs Act (TCJA), and reflecting the redesigned 2020 Form W-4 and related IRS publications.

We commend the IRS for the continuous outreach in designing the new form and appreciate the opportunity to have participated in several meetings to discuss issues surrounding the changes. In response to the proposed regulations we have the following observations.

- Section 6. Withholding Allowance
 - The last paragraph of this section reads “If the box in Step 2(c) is checked, Publication 15-T instructs employers to prorate and apply one-half of the standard deduction and marginal rates that account for equal wages for employment held concurrently.” Looking at Publication 15-T, page 6, line 1g the deduction amount entered is -0- if Step 2 is checked. The statement in the regulations seems inconsistent with Publication 15-T page 6, line 1g as the regulations state “If box in Step 2(c) is checked...apply one-half of the standard deduction...” however line 1g in Publication 15-T states to enter -0-. We agree with publication 15-T’s method for calculating the income tax withholding.

- Section 8. Furnishing of Withholding Allowance Certificates
 - a. Notice of maximum withholding allowance permitted



- When updating the lock-in process to accommodate the new W-4 it is recommended that the lock-in letters, especially the modification letters, are updated in a way that makes it easy for the employers to compare to existing or newly submitted W-4s to determine which results in greater withholding. Under this section of the proposed regulations the onus is going onto the employer to calculate the tax withholding for the lock-in letter (including modified) and submitted W-4 to determine which results in more withholding. For large employers this can become an administrative burden as they can receive a large volume of lock-in letters and subsequent modifications. Under the previous lock-in process a majority of the lock-ins and subsequent modification letters could easily be compared to employee submitted W-4s by looking at the exemptions to determine which would result in more tax withholding. There was no need to calculate withholding unless they were changing marital status or adding an additional amount. A similar approach for the new W-4 lock-in process would be desired. An option would be that the IRS locks-in the employee at Single or Married with No Adjustments and on a subsequent modification letter (if modifications are still utilized) the only section that will be defined is Step 3. A locked-in employee will only be allowed to submit a W-4 filling out Step 2, Step 3, Step 4(a) or Step 4(c) which results in more withholding. This will limit what can be submitted by the employee simplifying the process the employer must follow to compare the modification lock-in letter to a submitted employee W-4. The employee will not be allowed to make adjustments to Steps 4(b) until the lock-in is removed. If Step 3 and Step 4(b) are allowed to be modified by the employee, you are increasing the comparisons that need to be made to determine whether a newly submitted W-4 or lock-in letter result in increased withholding.
- Section 11. Effective Period of a Withholding Allowance Certificate:
 - The first paragraph states “If the employer had been withholding according to a lock-in letter, upon the employee’s release from the lock-in letter, the proposed regulations provide that the employee must furnish his or her employer a new valid Form W-4 in order to ensure that withholding after the release from the lock -in letter is as accurate as possible. If the employee fails to do so, the employee will be treated as single but having



the withholding allowance provided in forms, instructions, publications and other guidance....". It is recommended that this section be changed to "If the employee fails to do so the employer should continue to calculate employee withholding based on the most recent lock-in letter until a new W-4 is submitted.". For large employers this will reduce the administrative burden of determining whether the locked-in employee is being withheld according to a W-4 they submitted before the lock-in letter was received, a W-4 that was submitted that resulted in more withholding than the lock-in letter or the marital status and adjustments defined on the lock-in letter. By adjusting the proposed regulations as recommended, the employer will not need to determine whether changes are required to the employee W-4 information upon lock-in release as the employer has either been withholding according to a valid W-4 (which resulted in more withholding than the lock-in letter) or according to W-4 values defined by the IRS as acceptable on the lock-in letter for the employee.

Thank you for the opportunity to provide our comments. Should you have any questions or desire any additional information, please feel free to reach out to our representative in Washington, Cornelia Chebinou, at (202) 624-5451 or cchebinou@nasact.org.

Sincerely,

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