

**From the desk of
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IRS Sends Out Form W-4 rules relating to the Tax Cuts and Jobs Act

The IRS has extended the effective period of Form W-4, Employee's Withholding Allowance Certificate, furnished to claim exemption from income tax withholding for 2017 until February 28, 2018.

This will allow employees to claim exemption from withholding for 2018 by temporarily using the 2017 Form W-4.

The IRS also temporarily suspended the requirement that employees must furnish their employers new Forms W-4 within 10 days of changes in status that reduce the withholding allowances they are entitled to claim.

An employee may claim exemption from income tax withholding if the employee certifies on Form W-4 that

1. The employee incurred no liability for income tax for the preceding tax year; and
2. The employee anticipates that he or she will incur no liability for income tax for the current tax year.

Typically an employee requesting a change in withholding must submit a new Form W-4 to their employer claiming exemption from withholding for a tax year are effective up to and including February 15 of the following year.

An employer generally may continue to rely on employees' Form W-4 claiming exemption from withholding until February 16 of the following year.

If a change in status occurs that reduces the number of withholding allowances to which employees are entitled employees must within 10 days furnish the employer with a new Form W-4 claiming the proper number of withholding allowances.

Supplemental Wages, and Bonuses

Employers may withhold income tax from supplemental wage payments, and bonuses at an optional flat rate of 25%.

An employer can withhold certain periodic payments for pensions, annuities, and other deferred income generally is required to withhold from the payments as if they were wages unless an individual elects not to have withholding apply to the periodic payment.

The withholding election generally is made using Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Among the changes made under the new tax act which generally provides that for tax years beginning after December 31, 2017 and before January 1, 2026 the optional flat rate will now be 22%.

No New W-4's Need to be Filed with Employers

The new tax act does not require employees furnish new Forms W-4 for 2018.

In order to minimize burden on employees and employers the IRS and the Treasury Department designed the 2018 withholding tables to work with the Forms W-4 that employees have already furnished their employers.

The revisions are also aimed at avoiding over- and under-withholding of tax as much as possible.

W-4 effective date extended.

IRS has extended the effective period of Form W-4 furnished to claim exemption from income tax withholding for 2017 to February 28, 2018.

The 2017 Forms W-4 claiming exemption from withholding for 2017 will not be effective for wages payments made after that date.

With respect to any claim for exemption from withholding for 2018, regardless of whether it's a new claim or a renewed claim from 2017, IRS will allow employees to claim exemption using the 2017 Form W-4 until 30 days after the 2018 Form W-4 is released by:

1. Modifying the 2017 Form W-4 by striking "2017" in the text on Line 7, entering "2018" in its place, and signing the form in 2018;
2. Modifying the 2017 Form W-4 by entering "Exempt 2018" on Line 7 and signing the form in 2018;

3. Using the 2017 Form W-4 without modification and signing the form in 2018, provided that the employer establishes and communicates to employees a procedure under which an employee signs and furnishes the 2017 Form W-4 in 2018 to certify *both* that the employee
 - i. Incurred no income tax liability for 2017, and
 - ii. Anticipates that he or she will incur no income tax liability for 2018 and thus claims exemption from withholding for 2018; or
4. Any method substantially similar to (1) through (3) that clearly conveys in writing an employee's intent to certify his or her exemption from withholding for 2018.

IRS cautioned that alternations or additions other than those described above will cause the altered Form W-4 to be invalid as will any oral or written statement indicating that the Form W-4 is false made by the employee to the employer on or before the date on which the employee furnishes the Form W-4.

Employers that have established electronic systems for furnishing withholding allowance certificates may make alterations to their electronic systems to substantially conform with the above options.

Employees who claimed exemption from withholding for 2017 and are renewing claims for exemption from withholding for 2018 need to furnish their Forms W-4 claiming exemption from withholding for 2018 by February 28, 2018.

Employees who claim exemption from withholding for 2018 using the 2017 Form W-4 do not need to furnish a 2018 Form W-4 after the 2018 Form W-4 is released.

10-day requirement temporarily suspended

The IRS has suspended the requirement that employees furnish employers new Forms W-4 within 10 days after a change in status that results in reduced withholding allowances.

Instead, the Form W-4 reflecting such a change isn't required to be furnished until 30 days after the 2018 Form W-4 is released.

Because the 2018 withholding tables are designed to work with the Forms W-4 that employees have already furnished their employers, employees who have a reduction in the number of withholding allowances solely due to the changes made by the TCJA may but are not required to furnish employers new withholding allowance certificates during 2018.

Employees who choose to update their withholding may use the 2017 Form W-4 to report changes in withholding allowances, and new hires may claim allowances on the 2017 Form W-4, until 30 days after the 2018 Form W-4 is released.

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