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IRS creates spreadsheet to assist employers with income tax withholding calculation; Form W-4 revised to reflect change in medical expense deduction

The IRS has published to its website a tool called the *Income Tax Withholding Assistant*, a spreadsheet designed in Excel to assist small employers in computing the amount of federal income tax to withhold from employees' paychecks. The tool was created based on feedback from the business community that small employers require assistance as they transition to the new 2020 [Form W-4](#).

The *Income Tax Withholding Assistant* is designed to work with 2020 Forms W-4 and those Forms W-4 submitted before 2020. The IRS emphasizes that businesses using an automated payroll system won't need to use the tool to calculate income tax withholding.

The *Income Tax Withholding Assistant* can be downloaded [here](#).

Form W-4 revised to reflect change in medical expense deduction

The IRS [announced](#) that due to the change in the medical deduction expense floor percentage from 10% to 7.5% effective in 2020, it was necessary to update the percentage on line 1 of the Step 4(b)-*Deductions Worksheet* on page 3 of the 2020 Form W-4 to 7.5%. The IRS also made one minor editorial clarification on line 4 of that worksheet, changing "from Schedule 1" to "from Part II of Schedule 1."

Although the revised Form W-4 became available on December 31, 2019, the IRS says that employers may still use copies of the form printed or downloaded before December 31, 2019, noting that those forms will have the wrong 10% percentage shown.

Ernst & Young LLP insights

The new Income Tax Withholding Assistant is not only a great tool for small businesses grappling to understand the new Form W-4, but also a tool that large employers can use to test and review their automated payroll systems.

Employers should be certain that the 2020 Form W-4 available to employees includes the latest update reflecting the change in the medical deduction floor percentage to 7.5%.

Contact us for more information

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