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TaxInsight

The Law Office of Jason Carr, PLLC
2626 Cole Avenue, Ste. 300
Dallas, TX 75204
P: 214-800-2366
E: hello@carrtaxlaw.com
CarrTaxLaw.com



The New W-4

The IRS released a new Form W-4, *Employee's Withholding Certificate for 2020*. Let's take a closer look at the new withholding calculation method provided with this form.

Instead of using the personal allowances worksheet, the calculation of whether you need to take additional withholding is now determined in five steps.

Step 1, Enter Personal Information, and Step 5, Sign Here, are required of all taxpayers. Only complete Steps 2–4 if they apply to your situation.

Step 2 is for taxpayers who have more than one job, or who are married filing jointly and both spouses work. There are three options: (1) use the estimator on the IRS site; (2) use the worksheet in Step 2b; and (3) check the box and have the normal amount withheld from each job. This may result in a higher withholding than necessary.

The worksheet to calculate additional withholding amounts is on Page 3 of the form. When completing the form, use the tables on Page 4 to determine the amount that is included on Line 1 of the worksheet. This gives you an amount to divide by the number of pay periods for the job. If you have three jobs on the tax return, the calculation becomes more complex.

Step 3 takes dependents into consideration. Add \$2,000 for each qualifying child under 17, and \$500 for each dependent who does not qualify for the child tax credit. Step 4, Other Adjustments, is optional and

reviews (a) other income; (b) deductions; and (c) extra withholding. Finally, in Step 5, the taxpayer signs the form.

The IRS also has a withholding estimator widget, where you can fine tune your withholding. Use this widget to ensure that you have the best result possible.

I can help guide you through Form W-4 or the widget. Call my office to make an appointment.

Important Information

- 2020 Health Savings Account (HSA) contribution limits are \$3,550 for individuals and \$7,100 for families. If the HSA account beneficiary is age 55 or older at the end of the year, the annual contribution limit is increased by \$1,000.
- The IRA contribution limit for 2020 is \$6,000 (\$7,000 for taxpayers age 50 or older).
- Starting in 2020, the age for required minimum distributions is 72.
- Starting in 2020, new parents can take penalty-free distributions from a 401(k), IRA or another qualified retirement plan within a year after a birth or adoption.

Tax Notes

Worried about a balance due? I can help. If you participate in an HSA, or if you haven't maxed out your IRA contributions, there are ways to decrease your balance due. Come see me about last minute tax planning for your 2019 taxes.

Did You Know?

January is named after Janus, the Roman god of beginnings and duality. Janus was pictured with two faces. One face looks back on the past year, and the other looks forward to the next year.

Quote Corner

"Every new beginning comes from some
other beginning's end." ~ Seneca

