


Memo

To: All Employees 

From: Arlene Rivera, Payroll Manager

Date: December 20, 2019

Subject: Employee Payroll Tax Deductions for **2020**

This memo explains some of the differences beginning on your 2020 checks related to any change on income tax rates. Please read this memo in its entirety.

Federal Income Tax

1. The Internal Revenue Service (IRS) has not released the 2020 Federal Tax tables, therefore we have been instructed by them to withhold taxes in accordance with the current 2019 IRS tax tables. Based on this information, employees should understand that when the new tax tables are enacted, your paycheck may vary from your paychecks using the 2019 tax tables.
2. The IRS has updated the new Form W-4, Employee's Withholding Certificate. This form looks and functions very different from previous versions. This is due to the federal tax law changes that took place in 2018. The IRS is not requiring all employees to complete the revised form and has designed the withholding tables so that they will work with both the new and prior year W4 elections. However, employees hired on/after January 1, 2020 and anyone who elects to make withholding changes on/after January 1, 2020 will be required to complete the new form.
3. The IRS **does not** require all employees to complete the new revised W4 form and even if your tax situation has not changed, we recommend you perform a "paycheck checkup" to see if you need to make adjustments to your current withholding. To perform this checkup, you can use the IRS's Tax Withholding Estimator (www.irs.gov/W4App). To effectively use the estimator, it is helpful to have a copy of your most recent pay stub and tax return. You can obtain your most recent paystub by accessing our [Employee Self Service website](#). It is likely that the estimator will be updated to account for the 2020 tax tables in early January. **Please note: if you do not submit a new form, withholding will continue based on your previously submitted form.**

Before completing the 2020 Form W-4, please read the instructions that are included with the form. You must complete Steps 1 and 5. Steps 2, 3, and 4 are optional, but completing them will help ensure that your federal income tax withholding will more accurately match your tax liability. Step 1 is for your

personal information; Step 2 is for households with multiple jobs; Step 3 is used to claim tax credits for dependents; Step 4 is for other adjustments (additional income such as interest and dividends, itemized deductions that exceed the standard deduction, and extra tax you want withheld); and Step 5 is where you sign the form.

The IRS takes your privacy seriously and suggests that, if you are worried about reporting income from multiple jobs in Step 2 or other income in Step 4(a), you check the box in Step 2(c) or enter an additional withholding amount in Step 4(c). To determine the additional withholding amount, you can use the withholding estimator.

The IRS has also published Frequently Asked Questions that you may find helpful as you complete the form (<https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4>).

Your current W-4 filing status prints on your pay stub. Please review this information to ensure that proper deductions are being taken. If you need to adjust your federal income tax withholding, please complete the 2020 W-4 form, which is located on the intranet.

Social Security Taxes

- Employee **FICA** contribution rate is **6.2%** (no change)
- Maximum base wage for FICA will be \$137,700 (increase from 132,900)
- **MEDICARE** contribution rate is **1.45%** (no change)
 - All 2020 wages are subject to the Medicare tax

State Tax

- **3.07%** (no change)

Unemployment Tax

- **.07%** (no change)

Local Income Tax – The proper taxing jurisdiction is based on your physical address. Some of the Lancaster County local income tax rates are:

- Lancaster City **1.1%**
- Lancaster County **1.1%**
- Lancaster Township **1.0%**

Local Services Tax

- No change. \$52.00 annually for city employees (\$2.00 per pay) and \$10.00 annually for township employees (one time deduction).