

Paychex 2020 Tax Bulletin

We created this tax bulletin to give you tax information for 2020 and reminders about Forms W-4, W-5, and I-9. We have included a separate bulletin with information for your employees. Please post the employee bulletin in an area where your employees can easily see it.

2020 Federal Wage Base Limits

Employer FICA Wage Limits and Tax Rates	2020	2019
Social Security (OASDI) wage base	\$137,700.00	\$132,900.00
Medicare (HI) wage base	No Limit	No Limit
Social Security (OASDI) percentage	6.2%	6.2%
Medicare (HI) percentage	1.45%*	1.45%*
Total Social Security and Medicare percentage	7.65%	7.65%
Maximum Social Security (OASDI) withholding	\$8,537.40	\$8,239.80
Maximum Medicare (HI) withholding	No Limit	No Limit
Maximum Social Security and Medicare withholding	No Limit	No Limit
Federal Unemployment Tax (FUTA)	\$7,000.00	\$7,000.00

*Additional .9% assessed on employee wages exceeding \$200,000.

2020 Retirement Plan Contribution Limits

The following are the maximum annual elective deferrals:

Retirement Plan	2020	2019
401(k)	\$19,500.00	\$19,000.00
Roth 401(k)	\$19,500.00	\$19,000.00
403(b)	\$19,500.00	\$19,000.00
SARSEP	\$19,500.00	\$19,000.00
457	\$19,500.00	\$19,000.00

Retirement Plan	2020	2019
Section 501(c)(18)(D)	\$7,000.00	\$7,000.00
Simple IRA and 401(k)	\$13,500.00	\$13,000.00
Traditional IRA	\$6,000.00	\$6,000.00
Catch-up 401(k)	\$6,500.00	\$6,000.00
Catch-up 403(b)	\$6,500.00	\$6,000.00
Catch-up 408(k)	\$6,500.00	\$6,000.00
Catch-up 457	\$6,500.00	\$6,000.00
Catch-up Simple IRA and Simple 401(k)	\$3,000.00	\$3,000.00
Catch-up IRA	\$1,000.00	\$1,000.00

2020 Health Savings Account (SHA) and High Deductible Health Plan (HDHP) Limits

The following are the maximum annual limits for HSAs and HDHPs:

HSA	2020		2019	
	Self-Only	Family	Self-Only	Family
HSA Maximum Annual Contribution	\$3,550.00	\$7,100.00	\$3,500.00	\$7,000.00
HSA Catch-Up Contributions (age 55 by the end of year)	\$1,000.00		\$1,000.00	
HDHP Minimum Annual Deductible	\$1,400.00	\$2,800.00	\$1,350.00	\$2,700.00
HDHP Maximum Out-of-Pocket	\$6,900.00	\$13,800.00	\$6,750.00	\$13,500.00

Forms W-4

- If employees claim to be exempt from withholding, they must submit a new Form W-4 to their employer by **February 17, 2020**. Please notify your payroll contact of any changes to your employees' federal exemptions or update your employee information if you input your own payroll.
- The Internal Revenue Service (IRS) may request copies of selected employee Forms W-4 if the agency suspects an under-withholding problem. Follow the instructions on the IRS letter if this occurs.

Updated Form W-4 for 2020

The IRS modified Form W-4, Employee's Withholding Certificate, for the 2020 tax year due to changes implemented following the 2017 Tax Cuts and Jobs Act (TCJA). The revisions are intended to "make accurate withholding easier for employees."

The new form is broken into five steps for employees to complete: personal information, accounting for multiple jobs, claiming dependents, other adjustments, and signature and attestation.

Among the most noticeable changes was the removal of withholding allowances, which was tied to an individual's personal exemptions. Personal exemptions were eliminated by the TCJA. Employer instructions related to the new 2020 W-4 are available in Publication 15-T, Federal Income Tax Withholding Methods.

Employers are required to have all **new employees** complete the 2020 W-4 beginning **January 1, 2020**. Current employees will not be required to complete a 2020 W-4 unless they are requesting a change to their withholding. A complete listing of frequently asked questions (FAQs) can be found at: <https://www.irs.gov/newsroom/faqs-on-the-draft-2020-form-w-4>.

New IRS Tax Withholding Estimator

The IRS has created a new Tax Withholding Estimator, based on the significant changes under the TCJA. The new Tax Withholding Estimator offers workers, as well as retirees, self-employed individuals, and other taxpayers, a simpler tool to determine the correct amount of income tax they should have withheld from wages and pension payments.

The Estimator allows for wages from multiple jobs, spousal wages, and other sources of income to determine the most accurate withholding amount. The Tax Withholding Estimator can be found at: <https://www.irs.gov/individuals/tax-withholding-estimator>.

Social Security Cards

Employers are permitted to ask for and copy employee social security cards to ensure that the correct number and name are included on Form W-2. Employers may be assessed penalties if an employee's name and social security number are not reported on Form W-2 as they appear on their social security card.

2020 Out of Business Employers

The federal government requires employers who go out of business to provide Forms W-2 to employees and file federal Forms W-2 information according to the following schedule:

Out of Business Quarter	Forms 941 Due to IRS	Forms W-2 Information Due to Employees	Forms W-2/W-3 Due to SSA
1	April 30, 2020	April 30, 2020	June 1, 2020
2	July 31, 2020	July 31, 2020	August 31, 2020
3	November 2, 2020	November 2, 2020	November 30, 2020
4	February 1, 2021	February 1, 2021	March 1, 2021

Employers required to file Form W-2 information electronically will receive an extension for employee copies until **November 2, 2020**, and for the government copies until **December 1, 2020**. Paychex can prepare and file the Forms W-2 on your behalf for a fee. Please discuss this with your payroll contact when you report that your company is going out of business.

SUI or FUTA Exempt Employees

If you had employees who were exempt for state unemployment insurance (SUI) or federal unemployment insurance (FUTA) in 2019, determine if they are still exempt for 2020. If not, please notify your payroll contact or update your employee information if you input your own payroll.

Note: If you process your own payroll and do not make these changes before your first payroll of the year, please call your payroll contact before making this update.

Future Tax Changes

This bulletin contains tax changes for 2020 that we know at the time of publication; however, make sure you consult with your CPA or tax consultant to ensure you are aware of all 2020 federal, state, and local tax changes.

2020 Federal Wage Base Limits

The following are employee federal wage limits and tax rates.

Updated December 2019	2020	2019
Social Security (OASDI) wage base	\$137,700.00	\$132,900.00
Medicare (HI) wage base	No Limit	No Limit
Social Security (OASDI) percentage	6.2%	6.2%
Medicare (HI) percentage <ul style="list-style-type: none">• earnings that are \$200,000.00 or less• earnings are more than \$200,000.00	1.45% 2.35% for earnings over \$200,000.00	1.45% 2.35% for earnings over \$200,000.00
Total Social Security and Medicare percentage <ul style="list-style-type: none">• earnings that are \$200,000.00 or less• earnings are more than \$200,000.00	7.65% 8.55%	7.65% 8.55%
Maximum Social Security (OASDI) withholding	\$8,537.40	\$8,239.80
Maximum Medicare (HI) withholding	No Limit	No Limit
Maximum Social Security and Medicare withholding	No Limit	No Limit

Form W-4

If you are claiming to be exempt from withholding, complete and provide a new Form W-4 to your employer by **February 17, 2020**.

If you would like to change your marital status or number of allowances for federal withholding, complete and provide a new Form W-4 to your employer. Also, remember to complete and provide the appropriate state form to your employer to change your state withholding.

Social Security Cards

Employers are permitted to ask for and copy employee social security cards to ensure that the correct number and name are used on Forms W-2.