

# AMERICAN PAYROLL ASSOCIATION

August 27, 2020

Ms. Jennifer V. Mitchell  
Lead Tax Law Specialist  
Tax Forms and Publications  
Individual and Specialty Forms & Publications Branch  
Internal Revenue Service  
Via Email: [Jennifer.Mitchell@irs.gov](mailto:Jennifer.Mitchell@irs.gov)

Re: The American Payroll Association's Recommendations on Draft 2021 Form W-4P

Dear Ms. Mitchell:

The American Payroll Association (APA) is pleased to provide the Internal Revenue Service with recommendations on the Draft 2021 Form W-4P, Withholding Certificate for Retirement or Annuity Payments.

The following are APA's recommendations:

## **Overview**

- The amounts to withhold figured in the Overview are listed as A, B and C, which does not correspond to the Payer's Worksheet, which uses Steps 1 to 4. To better understand the instructions, APA recommends using the same identifiers.

## **Instructions with the Draft 2021 Form W-4P**

- The caution on page 3 of the instructions should be part of the Step 3 instructions on the form itself.
- Add clear instructions on how to complete Steps 3 through 5 when the payee has multiple sources of retirement payments, especially when one source may be greater than other sources.

## **Draft 2021 Form W-4P**

- Change Step 3(b)(ii) to plural because payees or their spouses may have more than one additional periodic payment source that pays less annually, i.e., "source(s)."

- Clarity is needed in Step 3: In Step 3(b), the form states to "enter the total taxable annual pay from all job(s) and any other income entered on Form W-4, Step 4(a), less the deductions entered on Form W-4, Step 4(b)." What is confusing here is that payees do not enter total taxable annual pay on Form W-4. APA suspects that the intent is to start with the taxable annual pay and then add any other income, but the language does not say this.

The form appears to assume that a new Form W-4 has been completed and submitted. If an employee has not provided a new 2020 Form W-4, then there would be nothing listed on Form W-4, Step 4(b). Instead, the employee would have allowances. The hint given is to push for a new Form W-4—"submit a new Form W-4 for your job(s) if you have not updated your withholding since 2019." However, this may be misleading because employees are not required to submit a new Form W-4.

- Step 4 should have each line numbered in the same manner as the lines in Steps 3 and 5. The "total" line should say add all numbered lines. The steps within the form should be consistent.
- Please consider whether the dividing line between Steps 3 and 4 should be moved:

(iii) Add the amounts from items (i) and (ii) and enter the total here . . . . . ▶ \$ \_\_\_\_\_

**TIP:** To be accurate, submit a 2021 Form W-4P for all other periodic payment sources. Submit a new Form W-4 for your job(s) if you have not updated your withholding since 2019.

If you (or your spouse) have a job, **do not** complete Steps 4–5(b) on this form. **this line should be above 'If you (or your spouse)....'**  
 If you (or your spouse) have a job, complete Steps 4–5(b) on Form W-4P for **only** the periodic payment source for that job. Complete those steps blank for the other periodic payment sources.

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**Step 4:** If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):

<b>Claim</b>	Multiply the number of qualifying children under age 17 by \$2,000 ▶	\$ _____
<b>Dependent and Other</b>	Multiply the number of other dependents by \$500 . . . . . ▶	\$ _____
<b>Credits</b>	Add other credits, such as foreign tax credit and education tax credits ▶	\$ _____

Add the amounts for qualifying children, other dependents, and other credits and enter the total here . . . . . ▶ \$ \_\_\_\_\_

- “No withholding” on the Form W-4P should be consistent with exempt from withholding on the Form W-4. Form W-4P Step 2 should be part of Step 1 not a separate step (renumbering steps 3-6 to 2-5). This will make the steps on Form W-4P consistent with the steps on Form W-4 and when the payee requests no withholding only Steps 1 and 5 should be completed.
- APA members would prefer a check box on both Form W-4P and Form W-4 to claim exempt. Leaving a “write-in” method to the imagination of software developers creates inconsistency and confusion for employees and payroll professionals.

**Step 5(b) Deductions Worksheet**

- Line 4 asks for the additional standard deduction for age and/or blindness. The worksheet should include the actual amounts of each rather than requiring the payee to search for the amounts in a different publication.

## Payer's Worksheet for Figuring Withholding

- Clarity is needed to understand how Step 2c works without the STANDARD Withholding Rate Schedules in the Annual Percentage Method table.
- Will the STANDARD Withholding Rate Schedules in the Annual Percentage Method table factor in the additional standard deduction for individuals over age 65?

Thank you for your consideration of APA's recommendations. To discuss this further, please contact Alice Jacobsohn at 202-669-4001 or [ajacobsohn@americanpayroll.org](mailto:ajacobsohn@americanpayroll.org).

Sincerely,



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## About APA

APA is a nonprofit organization serving the interests of more than 20,000 payroll professionals across the United States, who are responsible for the administrative task of properly withholding and remitting federal and state taxes. APA's primary mission is to educate its members and the payroll industry about the best practices associated with paying America's workers while complying with applicable federal, state, and local laws and regulations. APA members are directly responsible for calculating wages and tax withholding for their employers.