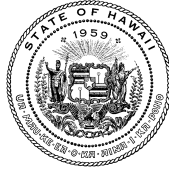


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STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES


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December 30, 2019

COMPTROLLER'S MEMORANDUM NO. 2019-27

TO: Heads of Department and Agencies

ATTN: Department Human Resources, Fiscal and Payroll Offices

FROM: Curt T. Otaguro, Comptroller 

Subject: New Procedures in Response to December 4, 2019 IRS Changes to Withholding Form W-4 and Employee Communications

The 2020 Internal Revenue Service (IRS) Form W-4, *Employee's Withholding Certificate*, released on December 4, 2019 and effective January 1, 2020 is substantially 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 forms. A current employee's withholdings will continue according to the Form W-4 they submitted before January 1, 2020 until such time as they direct changes for themselves.

However, certain employees will be required to use the new Form W-4:

- 1) those hired in 2020; and
- 2) anyone who chooses to make withholding changes during 2020 or until such time as the IRS subsequently updates their form.

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

Effective August 7, 2019 the Hawaii Information Portal (HIP) system enabled employees to direct Form W-4 and HW-4 changes through Employee Self-Service (ESS) or employees completed the paper forms for their department payroll offices to update in HIP to effectuate tax withholding changes. Effective January 6, 2020, the Department of Accounting and General Services will make the IRS-required changes to the Form W-4 available to employees, and the tax routines will be updated to accommodate both the new Form W-4 withholding calculations and prior years' W-4 forms.

Employees making changes to their withholdings between January 6, 2020 and January 10, 2020 will see their changes effective on the January 17, 2020 pay date. Thereafter, employees who choose to submit changes will have W4 elections take effect on the next closest pay period the State processes employees' pay. Per IRS compliance requirements, new employees hired on or after January 1, 2020 who do not submit a 2020 Form W-4 will have their tax withholdings default to "Single" with nothing additional withheld. As soon as an employee completes a 2020 Form W-4 in HIP, their tax withholdings will be affected during the next pay period.

Effective immediately, DAGS will not be able to process tax updates from departments or jurisdictions who electronically submit payroll change files/HR files according to the old W-4 method. Those departments/jurisdictions must direct their employees to make tax changes via ESS starting on January 6, 2020. This is to prevent non-compliance with IRS requirements. Departments/jurisdictions who desire to continue sending tax marital status and tax withholding data in their electronic payroll files to DAGS will have to update their interface payroll files to comply with 2020 IRS Form W-4 requirements. Until such time modifications are made and tested, employee tax withholdings in any electronic payroll or HR files will not be processed by DAGS. Departments or jurisdictions with this business process are directed to contact the Systems Analysis Branch Manager, Shane Arakaki, for further guidance via shane.arakaki@hawaii.gov or (808) 587-9770.

Please ensure that your Human Resources and Payroll Offices are informed of these changes and direct employees with questions on how to complete the new 2020 Form W-4 to the following helpful guides provided by the Internal Revenue Service.

<https://www.irs.gov/pub/irs-pdf/fw4.pdf>

<https://www.irs.gov/newsroom/faqs-on-the-2020-form-w-4>

Employees may be directed to the following site <http://ags.hawaii.gov/hip/manage-your-tax-withholding-choices/> should they wish to make changes to their W4 elections. Should you have any questions on this matter, please contact Joselyn Matsuno-Fowler, Pre-Audit Branch Manager at joselyn.y.matsuno-fowler@hawaii.gov or 586-0650.

c: Ryker Wada, DHRD Director

Debra Nishiyama, DHRD Staffing Division Manager

Sherry Shishido, DHRD Personnel Transactions Office Branch Manager

Lenora Fisher, DAGS Accounting Systems Administrator