DATE: November 30, 2020

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Jil Barraza, Chief
Personnel and Payroll Services Division

RE: 2020 FEDERAL INCOME TAX WITHHOLDING METHOD AND TAX TABLE CHANGES

The State Controller's Office (SCO) updated the payroll system due to the redesigned 2020 Form W-4, Employee’s Withholding Certificate. The update reflects the changes made by the 2017 Tax Cuts and Jobs Act (TCJA), PL 115-97. For tax years 2018-2025, the TCJA substantially increased the standard deduction and eliminated the federal withholding allowances tied to the personal exemptions. This change required the SCO to update the Uniform State Payroll System (USPS). For more information, please refer to Internal Revenue Service (IRS) Publication 15-T (https://www.irs.gov/pub/irs-pdf/p15t.pdf).

The IRS has designed the withholding tables to work with both new and prior year forms. The table found in IRS Publication 15-T explains the steps on how to compute 2020 withholding for both manual and automated payroll systems. The tables are designed to accommodate employees making changes to their tax withholding on/after 12/01/20, as well as employees who are grandfathered with pre-12/01/20 tax withholding values. The tables provide ranges based on pay frequency, filing status, and how the employee completes the Form W-4. There is now a standard withholding and a separate tax table for employees who select the option for higher withholding.

The Personnel and Payroll Services Division (PPSD) revised the payroll tax tables and updated the payroll system and Paycheck Calculator based on the changes/modifications issued by the IRS. The revised payroll tax tables will be implemented beginning with the December 2020 payments issued in the 2021 tax year and second half semi-monthly payrolls.

LOCATION OF NEW FEDERAL TAX FIELDS

The POIS and HIST screens are updated with new Federal tax fields. The new fields are located immediately below the current Federal tax fields. If the employee is grandfathered, the new data fields will display default values, the HW (High Wage) field will be blank and other three data fields will display zero.
TAXI screens, earnings statements and direct deposit slips are modified to include the new fields.

Section H108 of the Payroll Procedures Manual (PPM) was revised to include steps to calculate Federal income tax withholding based on the new EAR (STD 686)/SPAR (STD 457) form and prior EAR/SPAR form versions.

Employees should perform a “paycheck checkup” to see if they should adjust their current withholding. To conduct the checkup, employees can use the IRS Tax Withholding Estimator (www.irs.gov/W4App). When using the estimator, it is helpful to have a copy of the most recent pay stub and tax return.

For additional questions, please use the following contact information:

<table>
<thead>
<tr>
<th>SUBJECT AREA</th>
<th>CONTACT</th>
<th>TELEPHONE NUMBER/EMAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Payroll Procedures</td>
<td>Statewide Customer Contact Center</td>
<td>(916) 372-7200</td>
</tr>
<tr>
<td>HR Suggestions Email Inbox (All HR Staff)</td>
<td>Personnel and Payroll Services Division SCO</td>
<td><a href="mailto:PPSDHRSuggestions@sco.ca.gov">PPSDHRSuggestions@sco.ca.gov</a></td>
</tr>
<tr>
<td>CSU Email Inbox</td>
<td>Personnel and Payroll Services Division SCO</td>
<td><a href="mailto:PPSDCSUInquiry@sco.ca.gov">PPSDCSUInquiry@sco.ca.gov</a></td>
</tr>
<tr>
<td>Escalation Email Inbox (HR Supervisors and Managers)</td>
<td>Personnel and Payroll Services Division SCO</td>
<td><a href="mailto:PPSDOps@sco.ca.gov">PPSDOps@sco.ca.gov</a></td>
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SCO Key Initiatives:
- Cal Employee Connect Project
- CalATERS Replacement Project
- California State Payroll System Project

JEB:EO:STSP