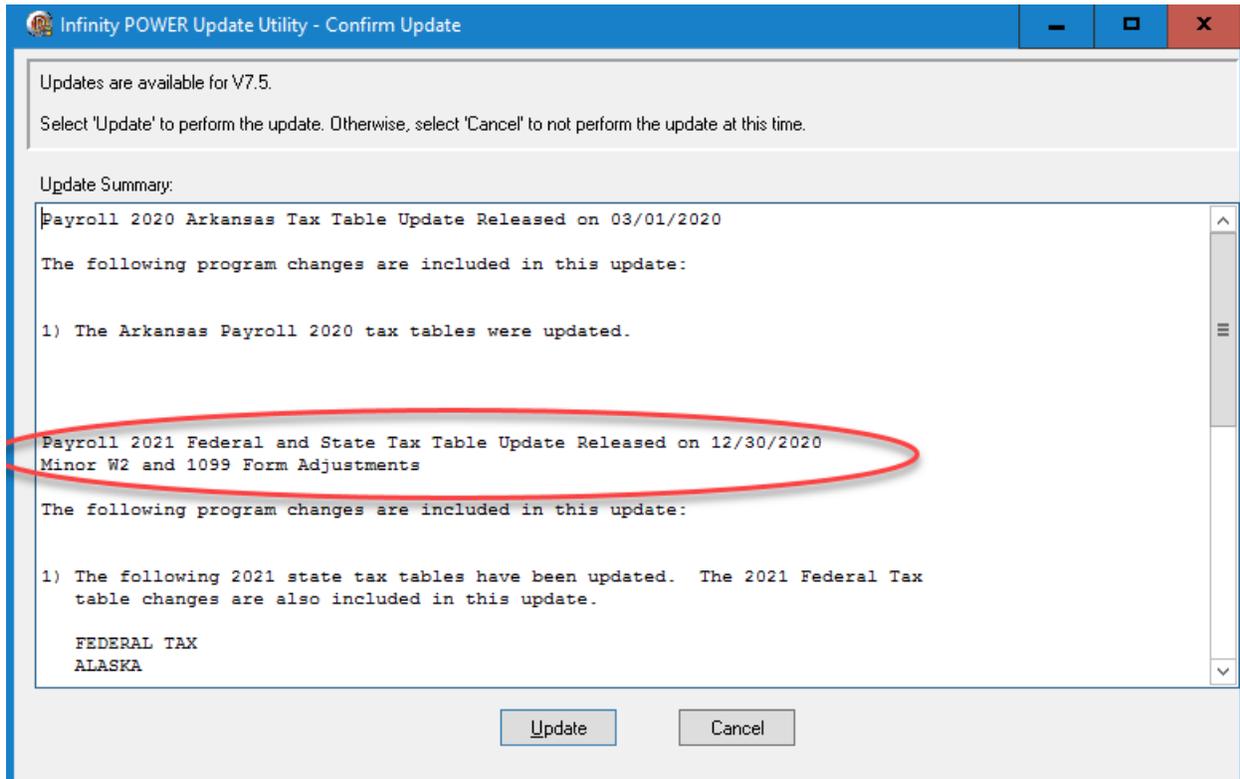


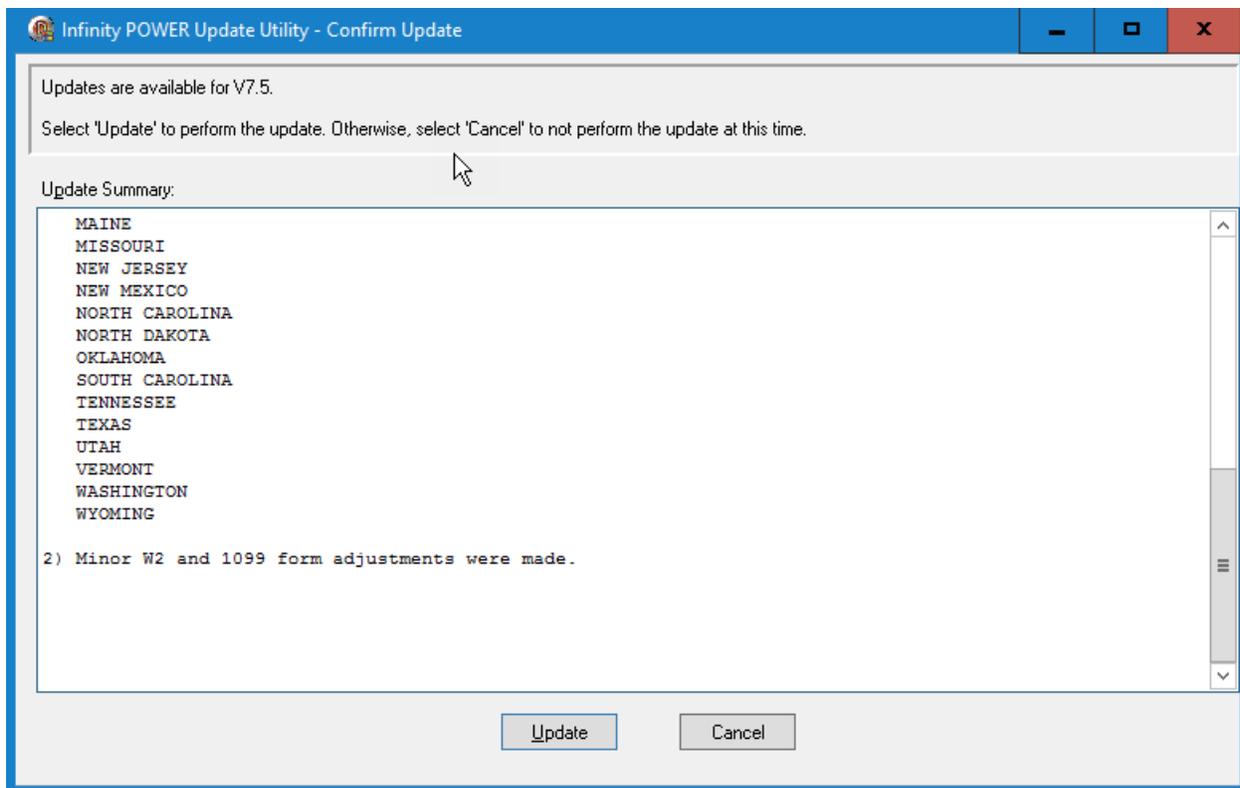
2021 Federal Tax Table Changes

Data Pro Accounting Software has insured that all of the necessary **Federal Tax Tables** are included in the **2021 Payroll** update to be able to comply with the necessary calculations and reporting as dictated by the new **IRS** rules for **2021**.

The initial download of the 2021 Federal Tax Table updates and 19 states was released on **December 30th, 2020**. Additional updates will be made as more states release their updates. If your state was not included in the initial update, it is very important that you run this update additional times until you receive all the updates you need. If you are running this update for the first time, you will get all updates at once.

If the screen appears with the following message, then you definitely need this update. If you have other update information at the top of this screen, scroll down to the bottom as this will appear last on the list.





Redesigned Form W-4 for 2021.

The IRS has redesigned Form W-4 for 2021. In the past, the value of a withholding allowance was tied to the amount of the personal exemption. *Due to changes in the law, taxpayers can no longer claim personal exemptions or dependency exemptions; therefore, the 2021 Form W-4 no longer asks an employee to report the number of withholding allowances that they are claiming.*

The revised Form W-4 is divided into five steps. Step 1 and Step 5 apply to all employees. In Step 1, employees enter personal information like their name and filing status. In Step 5, employees sign the form. Employees who complete only Step 1 and Step 5 will have their withholding figured based on their filing status's standard deduction and tax rates with no other adjustments.

If applicable, in Step 2, employees increase their withholding to account for higher tax rates due to income from other jobs in their household. Under Step 2, employees either enter an additional amount to withhold per payroll period in Step 4(c) or check the box in Step 2(c) for higher withholding rate tables to apply to their wages. In Step 3, employees decrease their withholding by reporting the annual amount of any tax credits for dependent children they will claim on their income tax return.

In Step 4, employees may increase or decrease their withholding based on the annual amount of other income or deductions they will report on their income tax return and they may also request any additional federal income tax they want withheld each pay period. *Employees who have submitted Form W-4 in any year before 2021 aren't required to submit a new form merely because of the redesign. Employers will continue to figure withholding based on the information from the employee's most recently submitted Form W-4.* The withholding tables in Pub. 15-T allow employers to figure withholding based on a Form W-4 for an earlier year as well as the redesigned 2021 Form W-4.

While you may ask your employees first paid wages before 2020 to submit new Forms W-4 using the redesigned version of the form, you should explain to them that they're not required to do this and if they don't submit a new Form W-4, withholding will continue based on a valid Form W-4 previously submitted. *All newly hired employees first paid wages after 2019 must use the redesigned form. Similarly, any other employees who wish to adjust their withholding must use the redesigned form.* A new employee who is first paid wages in 2021, including an employee who previously worked for you and was rehired in 2021, and who fails to furnish a Form W-4 will be treated as if they had checked the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2021 Form W-4. However, an employee who was paid wages in 2019 and who failed to furnish a Form W-4 should continue to be treated as single and claiming zero allowances on a 2019 Form W-4. For the latest information about developments related to Form W-4, go to [IRS.gov/FormW4](https://www.irs.gov/FormW4).

We advise you to go to the **IRS** link below to read the specific details on how employees need to complete the new version of the **W-4** form.

<https://www.irs.gov/pub/irs-pdf/p15.pdf>

For Employers, you may download the new **W-4** form from the **IRS** web site at:

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

Employees will need to complete this new **W-4** form and return it to their employers. Based on their answers, you will then need to complete the additional form for Employers before you can set up the new Federal Withholding Tables within the **Data Pro Infinity POWER Payroll** module.

<https://www.irs.gov/businesses/small-businesses-self-employed/income-tax-withholding-assistant-for-employers>

Income Tax Withholding Assistant for Employers

The **Income Tax Withholding Assistant** is a spreadsheet that can help small employers calculate the amount of federal income tax to withhold from their employees' wages. It can help you as you transition to the new [Form W-4](#) for 2021. Use the **Income Tax Withholding Assistant** if you typically use [Publication 15-T](#) to determine your employees' income tax withholding.

<https://www.irs.gov/forms-pubs/about-publication-15-t>

Percentage Method Tables for Automated Payroll Systems: If you have an automated payroll system, like the **Data Pro Infinity POWER Payroll** module, use the worksheet below and the **Percentage Method** tables that follow to figure federal income tax withholding. This method works for **Forms W-4** from **2019** or earlier and **Forms W-4** from **2020** or later. This method also works for any amount of wages. If the **Form W-4** is from **2019** or earlier, this method works for any number of withholding allowances claimed.

Worksheet 1. Employer's Withholding Worksheet for Percentage Method Tables for Automated Payroll Systems

Keep for Your Records



Table 3	Semiannually	Quarterly	Monthly	Semi-monthly	Biweekly	Weekly	Daily
	2	4	12	24	26	52	260

Step 1. Adjust the employee's wage amount

1a Enter the employee's total taxable wages this payroll period 1a \$ _____

1b Enter the number of pay periods you have per year (see Table 3) 1b _____

1c Multiply the amount on line 1a by the number on line 1b 1c \$ _____

If the employee **HAS** submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1d Enter the amount from Step 4(a) of the employee's Form W-4 1d \$ _____

1e Add lines 1c and 1d 1e \$ _____

1f Enter the amount from Step 4(b) of the employee's Form W-4 1f \$ _____

1g If the box in Step 2 of Form W-4 is checked, enter -0-. If the box is not checked, enter \$12,900 if the taxpayer is married filing jointly or \$8,600 otherwise 1g \$ _____

1h Add lines 1f and 1g 1h \$ _____

1i Subtract line 1h from line 1e. If zero or less, enter -0-. This is the **Adjusted Annual Wage Amount** 1i \$ _____

If the employee **HAS NOT** submitted a Form W-4 for 2020 or later, figure the Adjusted Annual Wage Amount as follows:

1j Enter the number of allowances claimed on the employee's most recent Form W-4 1j _____

1k Multiply line 1j by \$4,300 1k \$ _____

1l Subtract line 1k from line 1c. If zero or less, enter -0-. This is the **Adjusted Annual Wage Amount** 1l \$ _____

Step 2. Figure the Tentative Withholding Amount
based on the employee's Adjusted Annual Wage Amount; filing status (Step 1(c) of the 2020 Form W-4) or marital status (line 3 of Form W-4 from 2019 or earlier); and whether the box in Step 2 of 2020 Form W-4 is checked.
Note. Don't use the Head of Household table if the Form W-4 is from 2019 or earlier.

2a Enter the employee's **Adjusted Annual Wage Amount** from line 1i or 1l above 2a \$ _____

2b Find the row in the appropriate **Annual Percentage Method** table in which the amount on line 2a is at least the amount in column A but less than the amount in column B, then enter here the amount from column A of that row 2b \$ _____

2c Enter the amount from column C of that row 2c \$ _____

2d Enter the percentage from column D of that row 2d _____ %

2e Subtract line 2b from line 2a 2e \$ _____

2f Multiply the amount on line 2e by the percentage on line 2d 2f \$ _____

2g Add lines 2c and 2f 2g \$ _____

2h Divide the amount on line 2g by the number of pay periods on line 1b. This is the **Tentative Withholding Amount** 2h \$ _____

Step 3. Account for tax credits

3a If the employee's Form W-4 is from 2020, enter the amount from Step 3 of that form; otherwise enter -0- 3a \$ _____

3b Divide the amount on line 3a by the number of pay periods on line 1b 3b \$ _____

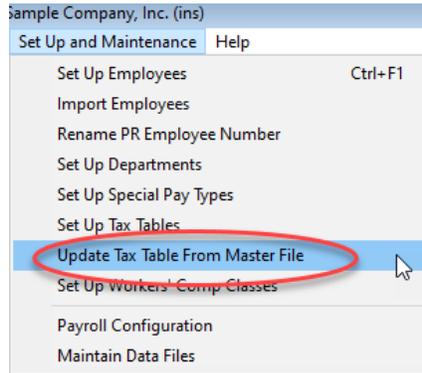
3c Subtract line 3b from line 2h. If zero or less, enter -0- 3c \$ _____

Step 4. Figure the final amount to withhold

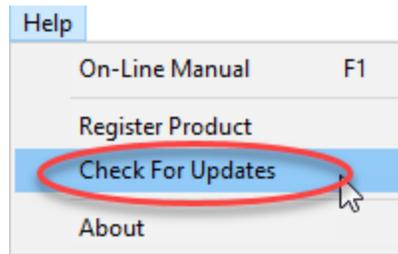
4a Enter the additional amount to withhold from the employee's Form W-4 (Step 4(c) of the 2020 form or line 6 on earlier forms) 4a \$ _____

4b Add lines 3c and 4a. This is the amount to withhold from the employee's wages this pay period 4b \$ _____

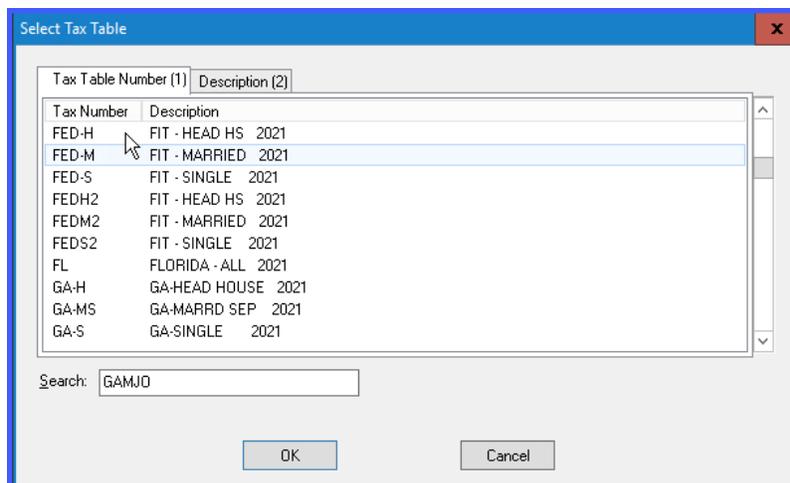
When you go to the **“Set Up and Maintenance”** option in the **Infinity POWER Payroll** module, after you have downloaded the updates using the **DP/Update** option, make sure your last Payroll for **2020** has been completed before updating your **Payroll Tax Tables** for **2021**. Then, choose the option **“Update Tax Table From Master File.”** This will take the download and update your company files on your local PC or Server with the latest update. This option needs to be performed for each company that is using the Payroll module.



You must be on **Version 7.52**, or higher, to be able to use the **DP/Update** option which is the **“Check For Updates”** menu option under the **“Help”** menu selection.



Once you have performed this task, you can click on the **“Set Up Tax Tables”** menu option and then click on the binoculars button. Type in **“Fed”** in the Search field and you will see the updated list of new Federal Tax Tables that are now available.



The bottom three **Federal Tax Tables** listed below are the new tables for **2020** and **2021**.

FEDH2	FIT - HEAD HS	2021
FEDM2	FIT - MARRIED	2021
FEDS2	FIT - SINGLE	2021

As mentioned earlier in the **IRS** documentation, *Employees who have submitted Form W-4 in any year before 2021 aren't required to submit a new form merely because of the redesign. Employers will continue to figure withholding based on the information from the employee's most recently submitted Form W-4.* This would mean Employers could continue to use the existing **Fed-S** and **Fed-M** tables listed for **2021**. Only if existing Employees want to make a change to their **W-4** or you hire someone “**new**” must you use these three new Federal Tables for **2021**.

Below are screen shots and printouts of these three new Federal Tax Tables should you need to manually set up these tables due to your current version number or lack of Internet access to your accounting server.

Please note that these new tables are based on “**Tax Credits**” as specified by the IRS, which is different than the existing **Fed-S** and **Fed-M** tables. Also, note the “**Primary Exemption**” amounts for each specific table.

Maintain Tax Tables

Tools Launch Navigation Operation

Mode: **Inquiry**

Tax Table: FEDM2

Description: FIT - MARRIED 2021

Unemployment Maximum: \$7,000.00

Unemployment Tax Rate: 0.6000 %

G/L Unemployment Exp.: 95200

G/L Unemployment Liab.: 37100

G/L Accrua.: 33200

Primary Exemption: \$12,550.00

Secondary Exemption: \$0.00

Adjust Base By FIT:

Adjust Base By FICA:

Adjust Base By SIT:

Table Calculation Type: 4) Normal with Annual Credit

W-2 State:

Exclude from W-2 wages:

Details... User Fields... Save Cancel Close

Infinity POWER Sample Company, Inc.
Tax Table Listing
Detailed

Number	Description	GL Accrual		Adj. Base By:			Type	Unemployment Tax			
		Primary Exemption	Secondary Exemption	FIT	FICA	SIT		Maximum	Tax Rate	GL Expense	GL Accrual
FEDS2	FIT - MARRIED 2021	\$12,550.00	33200	N	N	N	4	\$7,000.00	0.60%	95200	37100
			\$0.00								

Tax Table:	Over...	But Not Over...	Tax Amount	Plus % of Excess Over...
1)	\$12,550.00	\$22,500.00	\$0.00	10.0000 % \$12,550.00
2)	\$22,500.00	\$53,075.00	\$995.00	12.0000 % \$22,500.00
3)	\$53,075.00	\$98,925.00	\$4,664.00	22.0000 % \$53,075.00
4)	\$98,925.00	\$177,475.00	\$14,751.00	24.0000 % \$98,925.00
5)	\$177,475.00	\$221,975.00	\$33,603.00	32.0000 % \$177,475.00
6)	\$221,975.00	\$326,700.00	\$47,843.00	35.0000 % \$221,975.00
7)	\$326,700.00	\$0.00	\$84,496.75	37.0000 % \$326,700.00

Maintain Tax Tables

Tools Launch Navigation Operation

Mode: **Inquiry**

Tax Table:

Description:

Unemployment Maximum:

Unemployment Tax Rate:

G/L Unemployment Exp.:

G/L Unemployment Liab.:

G/L Accrual:

Primary Exemption:

Secondary Exemption:

Adjust Base By FIT:

Adjust Base By FICA:

Adjust Base By SIT:

Table Calculation Type:

W-2 State:

Exclude from W-2 wages:

Details... User Fields... Save Cancel Close

Infinity POWER Sample Company, Inc.
Tax Table Listing
Detailed

Number	Description	GL Accrual		Adj. Base By:			Type	Unemployment Tax			
		Primary Exemption	Secondary Exemption	FIT	FICA	SIT		Maximum	Tax Rate	GL Expense	GL Accrual
FEDS2	FIT - SINGLE 2021	\$8,250.00	33200	N	N	N	4	\$7,000.00	0.60%	95200	37100
			\$0.00								

Tax Table:	Over...	But Not Over...	Tax Amount	Plus % of Excess Over...
1)	\$6,275.00	\$11,250.00	\$0.00	10.0000 % \$6,275.00
2)	\$11,250.00	\$26,538.00	\$497.50	12.0000 % \$11,250.00
3)	\$26,538.00	\$49,463.00	\$2,332.00	22.0000 % \$26,538.00
4)	\$49,463.00	\$88,738.00	\$7,375.50	24.0000 % \$49,463.00
5)	\$88,738.00	\$110,988.00	\$16,801.50	32.0000 % \$88,738.00
6)	\$110,988.00	\$268,075.00	\$23,921.50	35.0000 % \$110,988.00
7)	\$268,075.00	\$0.00	\$78,902.13	37.0000 % \$268,075.00

Maintain Tax Tables

Tools Launch Navigation Operation

Mode: **Inquiry**

Tax Table: FEDH2

Description: FIT - HEAD HS 2021

Unemployment Maximum: \$7,000.00

Unemployment Tax Rate: 0.6000 %

G/L Unemployment Exp.: 95200

G/L Unemployment Liab.: 37100

G/L Accrual: 33200

Primary Exemption: **\$8,250.00**

Secondary Exemption: \$0.00

Adjust Base By FIT:

Adjust Base By FICA:

Adjust Base By SIT:

Table Calculation Type: **4) Normal with Annual Credit**

W-2 State:

Exclude from W-2 wages:

Details... User Fields... Save Cancel Close

Infinity POWER Sample Company, Inc.
Tax Table Listing
Detailed

Page 1
(1) 01/01/2021

Number	Description	GL Accrual Primary Exemption	Secondary Exemption	Adj. Base By: FIT FICA SIT	Type	Unemployment Tax Maximum Tax Rate	GL Expense	GL Accrual
FEDH2	FIT - HEAD HS 2021	\$8,250.00	33200	N N N	4	\$7,000.00 0.60%	95200	37100
Tax Table:		Over...	But Not Over...	Tax Amount	Plus % of Excess Over...			
1)		\$9,400.00	\$16,500.00	\$0.00	10.0000 %	\$9,400.00		
2)		\$16,500.00	\$36,500.00	\$710.00	12.0000 %	\$16,500.00		
3)		\$36,500.00	\$52,575.00	\$3,110.00	22.0000 %	\$36,500.00		
4)		\$52,575.00	\$91,850.00	\$6,646.50	24.0000 %	\$52,575.00		
5)		\$91,850.00	\$114,100.00	\$16,072.50	32.0000 %	\$91,850.00		
6)		\$114,100.00	\$271,200.00	\$23,192.50	35.0000 %	\$114,100.00		
7)		\$271,200.00	\$0.00	\$78,177.50	37.0000 %	\$271,200.00		

Keep in mind that since these three new Federal Tables could be “NEW” to your accounting system, you need to configure each one with the appropriate General Ledger accounts for **Unemployment Expense, Liability and Accrual** amounts.

G/L Unemployment Exp.: 95200

G/L Unemployment Liab.: 37100

G/L Accrual: 33200

Your existing Federal Tax Tables probably have the correct General Ledger accounts in place, but these new tables **MUST** be configured before you use them or these amounts will post to your General Ledger “**Suspense**” account because the system will not know where to properly post these amounts. The General Ledger account numbers shown in these screen captures are based on the **INS Sample Company** data files that come with the software. That does not mean that these account numbers actually existing in your company’s Chart of Accounts.

Setting up an Employee using the new 2021 W4 Data

There are now three (3) Federal Tables instead of two, because the IRS has added a third for a “Head of Household” treatment. When you read the W-4 form itself, you can determine whether or not, you would qualify for this status or not.

(c) Single or Married filing separately

Married filing jointly (or Qualifying widow(er))

Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

The way you would configure an employees’ set up on their Payroll record is dictated by the way they answer the new questions on their W-4. This also has to do with how many children they are claiming under the age of 17 and how many are over 17 as is covered in Step 3 below.

Step 3: If your income will be \$200,000 or less (\$400,000 or less if married filing jointly):

Claim Dependents

Multiply the number of qualifying children under age 17 by \$2,000 ► \$

Multiply the number of other dependents by \$500 ► \$

Add the amounts above and enter the total here **3** \$

For instance, in the option above, let’s say the employee claims one child under 17 years old and one above. That would provide for \$2000 in the first line and \$500 in the second line for a total amount of \$2500.

How that would translate to their new FedM2 – Married 2021 Tax Table set up on their Employee record is shown below. You would enter “1” for the “Primary Exemption” for all records and enter the Additional Amount (*annual tax credit*) to the right.

Tools Launch

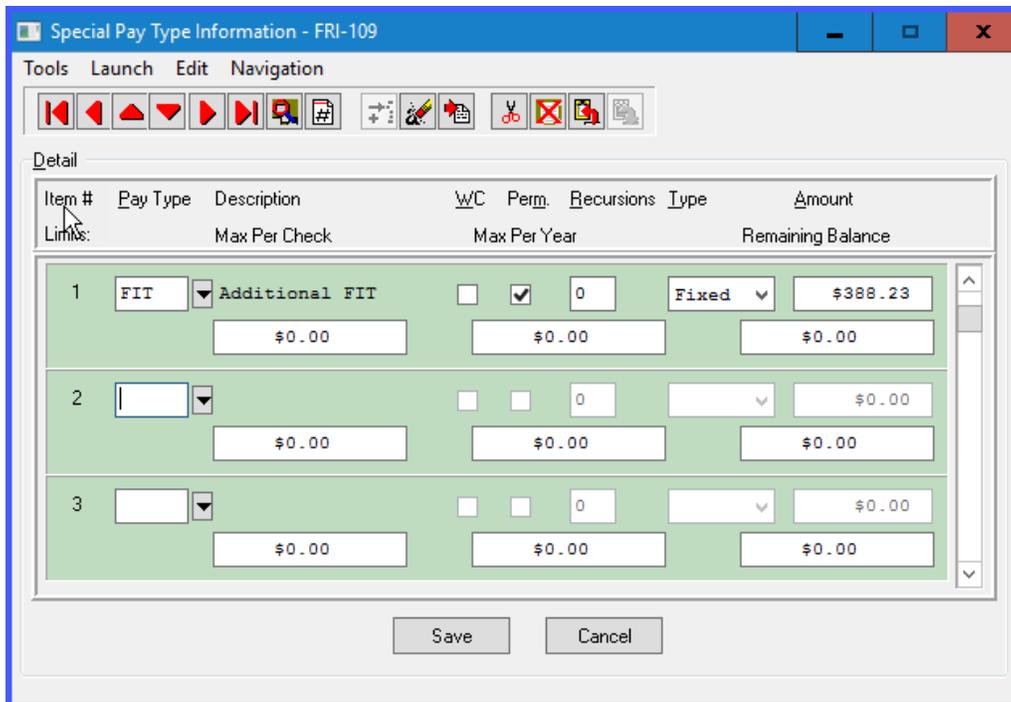
	Tax Table #	Description		Primary Exemption	Secondary Exemption	Additional Amount
FIT Table:	FEDM2 ▼	FIT - MARRIED 2021		1	0	\$2,500.00
SIT Table:	FL ▼	FLORIDA - ALL 2021		0	0	0.00
Additional SIT:	▼			0	0	\$0.00
LIT Table:	▼			0	0	\$0.00
Additional LI:	▼			0	0	\$0.00

Step 4 on the **W-4** form then prompts each employee to enter the additional amount of deductions or additional withholding they would like deducted from each Payroll cycle. There is a whole table of calculations that gets them to these answers. This definitely applies to Married couples who both have jobs. This provision is anticipating that the combined income of the two parties is going to throw their joint income into a higher tax bracket.

As a result, the net calculation is trying to have more money withheld along the way to ensure the Federal Taxes are covered by the end of the year.

Step 4 (optional): Other Adjustments	(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income	4(a)	\$	
	(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here	4(b)	\$	
	(c) Extra withholding. Enter any additional tax you want withheld each pay period	4(c)	\$	

Therefore, when a number is entered into any of these boxes, the Employer is going to the Employee's Payroll record to set up the **"Earning"** or **"Deduction"** code under their **"Special Pay Types"** setup as seen below. In this example, this assumes the Employee has requested an additional **\$388.23**, per pay cycle, to be withheld from their check and submitted to the **IRS** for their Federal Taxes.



For any other specific information on the new Payroll changes, we suggest you contact your CPA or accountant for specific advice for your firm or your employees' needs.