

## NOTICE TO EMPLOYEE

DATE: January 19, 2021

TO: DJUSD Staff

FROM: Mallory Arevalos, Director of Fiscal Services

SUBJECT: **2021 Tax Changes and Withholding Information – Effective January 1, 2021**

### **Federal and State Income Tax Withholding**

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The IRS redesigned Form W-4 for 2020 and subsequent years. Starting in 2020, allowances (or exemptions) are no longer included for personal income tax withholdings. Before 2020, 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 there is no amount provided for the value of a federal withholding allowance. Instead, employees can complete applicable sections to add adjustments for other income, additional withholdings or annual credits to increase or decrease their total withholdings. As always, the Federal and State tax withholding brackets have been changed to reflect indexing for inflation.

Employees are advised to use the IRS Tax Withholding Estimator available at [www.irs.gov/W4App](http://www.irs.gov/W4App) to determine accurate withholding. Employees who submitted a federal Form W-4 before 2020 are not required to submit a new form merely because of the redesign if they have no changes to their withholding allowances. Withholdings will continue to be calculated based on the information from an employee's most recently submitted Form W-4.

New hires and existing employees making changes to their withholdings must submit the redesigned federal [Form W-4](#) and state [Form DE 4](#) (both available here via the link through InformedK12). If a properly completed state Form DE 4 is not provided, state income taxes will be withheld at the single rate and claiming zero withholding allowances.

### **Social Security and Medicare**

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The 2021 Social Security and Medicare tax rates are 6.2 percent and 1.45 percent, respectively. The Social Security maximum wage base is \$142,800. There continues to be no cap on the Medicare wage base.

<u>Tax Summary</u>	<u>2020</u>	<u>2021</u>
Social Security rate (Employee)	6.2%	6.2%
Social Security rate (Employer)	6.2%	6.2%
Social Security maximum wage base	\$137,700	\$142,800
Medicare rate (Employer)	1.45%	1.45%
Medicare rate (Employee)	1.45%	1.45%
Additional Medicare rate, wages over \$200,000 (Employee)	0.09%	0.09%
Medicare maximum wage base	no limit	no limit
Employee Maximum Contribution – 457 plan	\$19,500	\$19,500
457 Deferred Compensation Plan Catch-up 50+	+ \$6,500	+ \$6,500
Employee Maximum Contribution – 403(b) plan	\$19,500	\$19,500
403(b) Tax Sheltered Annuities Catch-up 50+	+ \$6,500	+ \$6,500

## Possible Federal Tax Refund Due to the Earned Income Credit (EIC)

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### *What is the EIC?*

The EIC is a refundable tax credit for certain workers.

### *What is the Purpose of This Notice?*

Your employer sent you this notice to make you aware of an important federal tax benefit. Even if you had no income tax withheld from your wages during the year, you may be eligible for the EIC.

### *How Much is the EIC?*

For 2020, the EIC could be as much as \$3,584 if you have one qualifying child; \$5,920 if you have two qualifying children; \$6,660 if you have three or more qualifying children; and \$538 if you have no qualifying children.

### *How Do You Claim the EIC?*

To claim the EIC, you must:

1. Be eligible for the EIC, and
2. File a 2020 tax return (including Scheduled EIC if you have a qualifying child).

To figure out if you are eligible, see Pub. 596 or visit [www.irs.gov/EITC](http://www.irs.gov/EITC). If eligible, you can claim the EIC to get a refund even if you had no tax withheld from your pay or owe no tax. For example, if you had no tax withheld in 2020 and owe no tax but are eligible for a credit of \$800, you must file a 2020 income tax return to get the \$800 refund. Most people qualify for free tax preparation. If you earned less than \$72,000, you can file for free online at [www.irs.gov/FreeFile](http://www.irs.gov/FreeFile). In addition, IRS-certified volunteers can prepare your return for free in person if you earned less than \$57,000 or are age 60 or older. To find locations, visit [www.irs.gov/VITA](http://www.irs.gov/VITA) or call 800-906-9887.

### *More Information*

Refer to instructions for the tax return you are filing, Pub. 596, or [www.irs.gov/EITC](http://www.irs.gov/EITC) for details on the EIC. You can download IRS forms and publications at [www.irs.gov/Forms](http://www.irs.gov/Forms), and you can get printed copies mailed to you by going to [www.irs.gov/OrderForms](http://www.irs.gov/OrderForms) or by calling 800-829-3676.

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*Some items in this notice are intended to comply with employee notification requirements of the IRS.*

If you have questions regarding this information, please contact your assigned Fiscal Services Payroll Technician. If your last name starts with A-K, please send an email to Christina Cerritos, [ccerritos@djud.net](mailto:ccerritos@djud.net). If your last name starts with L-Z, please send an email to Matt Powers, [mpowers@djud.net](mailto:mpowers@djud.net).