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Publication 15 (2019), (Circular E), Employer's Tax Guide

For use in 2019

Publication 15 - Introductory Material

Future Developments

For the latest information about developments related to Pub. 15, such as legislation enacted after it was published, go to [IRS.gov/Pub15](https://www.irs.gov/pub15).

What's New

Social security and Medicare tax for 2019. The social security tax rate is 6.2% each for the employee and employer, unchanged from 2018. The social security wage base limit is \$132,900. The Medicare tax rate is 1.45% each for the employee and employer, unchanged from 2018. There is no wage base limit for Medicare tax. Social security and Medicare taxes apply to the wages of household workers you pay \$2,100 or more in cash wages for 2019. Social security and Medicare taxes apply to election workers who are paid \$1,800 or more in cash or an equivalent form of compensation in 2019.

2019 withholding tables. This publication includes the 2019 Percentage Method Tables and Wage Bracket Tables for Income Tax Withholding; see [section 17](#).

2019 federal income tax withholding. Notice 2018-92, 2018-51 I.R.B. 1038, available at [IRS.gov/irb/2018-51_IRB#NOT-2018-92](https://www.irs.gov/irb/2018-51_IRB#NOT-2018-92), provides that until April 30, 2019, an employee who has a reduction in a claimed number of withholding allowances solely due to changes from the new tax legislation enacted on December 22, 2017 (P.L. 115-97, Tax Cuts and Jobs Act), isn't required to give his or her employer a new Form W-4 until May 10, 2019 (10 days after April 30, 2019). However, if an employee no longer reasonably expects to be entitled

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 - [1. Employer](#)
- to a claimed number of withholding allowances because of a change in personal circumstances not solely related to changes made by P.L. 115-97 (for example, an employee's child no longer qualifies as the employee's dependent because of the child's change in residence), the employee must furnish his or her employer a new Form W-4 within 10 days after the change. In addition, if an employee who claimed married filing status on Form W-4 becomes divorced from his or her spouse, the employee must furnish his or her employer a new Form W-4 within 10 days after the change. An employee who has a reduction in a claimed number of withholding allowances after April 30, 2019, for any reason is required to give his or her employer a new Form W-4 within 10 days of the change in status resulting in the reduction in withholding allowances. See [section 9](#) for more information about Form W-4.
- **Withholding allowance.** The 2019 amount for one withholding allowance on an annual basis is \$4,200.
 - **Disaster tax relief.** Disaster tax relief is available for those impacted by recent disasters. For more information about disaster relief, go to www.irs.gov/DisasterTaxRelief.
- Reminders**
- **Moving expense reimbursement.** P.L. 115-97 suspends the exclusion for qualified moving expense reimbursements from your employee's income for tax years beginning after 2017 and before 2026. However, the exclusion is still available in the case of a member of the U.S. Armed Forces on active duty who moves because of a permanent change of station. The exclusion applies only to reimbursement of moving expenses that the member could deduct if he or she had paid or incurred them without reimbursement. See *Moving Expenses* in Pub. 3, *Armed Forces' Tax Guide*, for the definition of what constitutes a permanent change of station and to learn which moving expenses are deductible.
 - **Withholding on supplemental wages.** P.L. 115-97 lowered the withholding rates on supplemental wages for tax years beginning after 2017 and before 2026. See [section 7](#) for the new rates.
 - **Backup withholding.** P.L. 115-97 lowered the backup withholding rate to 24% for tax years beginning after 2017 and before 2026. For more information on backup withholding, see [Backup withholding](#), later.
 - **Qualified small business payroll tax credit for increasing research activities.** For tax years beginning after 2015, a qualified small business may elect to claim up to \$250,000 of its credit for increasing

- Identification Number (EIN)
- research activities as a payroll tax credit against the employer's share of social security tax. The payroll tax credit must be elected on an original income tax return that is timely filed (including extensions). The portion of the credit used against the employer's share of social security tax is allowed in the first calendar quarter beginning after the date that the qualified small business filed its income tax return. The election and determination of the credit amount that will be used against the employer's share of social security tax are made on Form 6765, Credit for Increasing Research Activities. The amount from Form 6765, line 44, must then be reported on Form 8974, Qualified Small Business Payroll Tax Credit for Increasing Research Activities. Form 8974 is used to determine the amount of the credit that can be used in the current quarter. The amount from Form 8974, line 12, is reported on Form 941 or 941-SS, line 11 (or Form 944, line 8). For more information about the payroll tax credit, see Notice 2017-23, 2017-16 I.R.B. 1100, available at [IRS.gov/irb/2017-16_IRB#NOT-2017-23](https://www.irs.gov/irb/2017-16_IRB#NOT-2017-23), and [IRS.gov/ResearchPayrollTC](https://www.irs.gov/ResearchPayrollTC). Also see the line 16 instructions in the Instructions for Form 941 (line 13 instructions in the Instructions for Form 944).
- 2. Who Are Employees?
 - Employee status under common law.
 - Statutory employees.
 - Statutory nonemployees.
 - H-2A agricultural workers.
 - Treating employees as nonemployees.
 - Relief provisions.
 - IRS help.
 - Voluntary Classification Settlement Program (VCSP).
 - Business Owned and Operated by Spouses
 - **Outsourcing payroll duties.** Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. Before you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over social security, Medicare, FUTA, and income taxes) to a third-party payer, such as a payroll service provider or reporting

- agent, go to [IRS.gov/OutsourcingPayrollDuties](https://www.irs.gov/OutsourcingPayrollDuties) for helpful information on this topic.
 - Exception on this topic: If a CPEO pays wages and other compensation to an individual performing services for you, and the services are covered by a contract described in section 7705(e)(2) between you and the CPEO (CPEO contract), then the CPEO is generally treated as the employer, but only for wages and other compensation paid to the individual by the CPEO. However, with respect to certain employees covered by a CPEO contract, you may also be treated as an employer of the employees and, consequently, may also be liable for federal employment taxes imposed on wages and other compensation paid by the CPEO to such employees. For more information on the different types of third-party payer arrangements, see [section 16](#).
 - 3. Family Employees
 - Child employed by parents.
 - One spouse employed by another.
 - Covered services of a child or spouse.
 - Parent employed by son or daughter.
 - 4. Employee's Social Security Number (SSN)
 - Applying for a social security card.
 - Applying for an SSN.
 - Correctly record the employee's name
- Aggregate Form 941 filers.** Agents and CPEOs must complete Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, when filing an aggregate Form 941. Aggregate Forms 941 are filed by agents approved by the IRS under section 3504 of the Internal Revenue Code. To request approval to act as an agent for an employer, the agent files Form 2678 with the IRS. Aggregate Forms 941 are also filed by CPEOs approved by the IRS under section 7705. CPEOs file Form 8973, Certified Professional Employer Organization/Customer Reporting Agreement, to notify the IRS that they've started or ended a service contract with a client or customer.
- Aggregate Form 940 filers.** Agents and CPEOs must complete Schedule R (Form 940), Allocation Schedule for Aggregate Form 940 Filers, when filing an aggregate Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. Aggregate Forms 940 can be filed by agents acting on behalf of home care service recipients who receive home care services through a program administered by a federal, state, or local government. To request approval to act as an agent on behalf of home care service recipients, the agent files Form 2678 with the IRS. Aggregate Forms 940 are also filed by CPEOs approved by the IRS under section 7705. CPEOs file Form 8973 to notify the IRS that they've started or ended a service contract with a client or customer.
- Work opportunity tax credit for qualified tax-exempt organizations hiring qualified veterans.** The work opportunity tax credit is available for eligible unemployed veterans who begin work on or after November 22, 2011, and before January 1, 2020. Qualified tax-exempt organizations that hire eligible unemployed veterans can claim the work opportunity tax credit against their payroll tax liability using Form 5884-C. For more information, go to [IRS.gov/WOTC](https://www.irs.gov/WOTC).
- COBRA premium assistance credit.** Effective for tax periods beginning after 2013, the credit for COBRA premium assistance payments can't be claimed on Form 941, Employer's QUARTERLY Federal Tax Return (or Form 944, Employer's ANNUAL Federal Tax