



February 8, 2025

The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
568 Cannon House Office Building
Washington, DC 20515

The Honorable John Thune
Majority Leader
U.S. Senate
511 Dirksen Senate Office Building
Washington, DC 20510

Re: Tax Cuts and Jobs Act Renewal and Revision 2025

Dear Speaker of the House Johnson and Senate Majority Leader Thune:

PayrollOrg (PAYO),¹ formerly the American Payroll Association, requests your attention to several issues regarding your efforts to make the Tax Cuts and Jobs Act permanent with some amendments: (1) when changing provisions that have payroll impacts, please allow sufficient time to implement the changes; (2) maintaining the Internal Revenue Service's (IRS) promised funding is critically important to ensure responsiveness to Congress, the Trump Administration, business community, and taxpayers; and (3) simplifying employment tax forms and instructions would ease the administrative burden on employees.

Sufficient Time for Implementation

With more than 70% of funds flowing into the federal government through the Internal Revenue Service (IRS) from employment-related taxes, greater deference to business services by Congress that is passed through to the IRS is requested. For taxpayers whose income mainly comes from employment, 90% of their federal employment taxes are paid during the year from payroll withholding and employer tax filing, with just 10% remitted during the tax filing season. Thus, tax management through payroll processing is important for our national success in achieving efficiency in federal taxes.

¹ PAYO is a nonprofit association representing more than 20,000 payroll professionals throughout the United States. PAYO's Government Relations Task Force partners with government legislatures and agencies to help payroll professionals with compliance, while minimizing the administrative burden on government, employers, and individual workers. PAYO members are directly responsible for calculating wages and withholding for their employers across all industries and employer types.



PAYO strongly requests that Congress recognizes that payroll processing is complicated. Any changes Congress makes to the Tax Cuts and Jobs Act and the Internal Revenue Code that impact payroll processing will take time to implement. For example, the Tax Cuts and Jobs Act was effective January 1, 2018, while the withholding provisions with the revised Form W-4 was not implemented until January 1, 2020.

We ask for a minimum of nine months for employers and employees to comply. If tax code changes are more complicated, a phased approach is helpful.

The time PAYO requests includes:

- Initial understanding of the requirements and impacts on employers and employees;
- Changes needed to software management systems, with multiple testing periods by software developers and employers;
- Employees consideration of their tax situation and necessary revised withholding instructions to their employers; and
- Data entry for each employee affected by the changes.

With the 2025 tax year already started, part year tax changes are not simple tasks. Retroactive applications of any changes are even more difficult to accomplish. PAYO requests elective dates for new and changed requirements to begin at the start of a tax year.

Maintaining IRS Funding

Competing proposals on tax policy have different impacts on payroll management, yet all will require a well-funded IRS. For example, there are proposals to eliminate federal income taxes, eliminate taxes on tipped wages and overtime pay, reduce corporate taxes, extend the Tax Cuts and Jobs Act, increase employment taxes, increase the child tax credit, repeal the state and local tax cap, and reduce auditing and enforcement, just to name a few. These changes will still require the IRS to collect and manage congressionally established taxes.

Historically, Congress has required the IRS to implement tax policy without sufficient funding, which has led to an inability to restructure and modernize to the detriment of payroll professionals, employers, and employees. In the past few years, the IRS has made great strides to restructure and modernize to comply with the policies and instructions Congress has enacted. These efforts were accomplished through many conversations with agency stakeholders, like PAYO. To continue these efforts, maintaining IRS funding is extremely important. Modernization does not mean less need for IRS employees and funds.

Employee Withholding and Filing Requirements

PAYO asks that when Congress makes significant changes to federal income tax requirements, such as withholding methods and calculations, to also mandate that all employees complete a new Form W-4, Employee's Withholding Certificate, as Congress did with the 1986 income tax changes. When the Tax Cuts and Jobs Act became law, the IRS was required to develop a revised Form W-4 such that employees could account for household income and to encourage employees to ask their employers to withhold more accurate amounts during the year rather than receive significant refunds during the tax filing season.

Because employees were allowed to continue to use previously completed Forms W-4 that did not comply with the changes established in the Tax Cuts and Jobs Act, the IRS was required to publish two sets of tax tables and calculation methodologies to accommodate using both unchanged forms and the new forms. Payroll departments were required to maintain old and new forms and calculate withholding in accordance with both sets of forms and tax tables. While an initial administrative burden may be present, mandating consistency in employee withholding instructions will eliminate duplication and help prevent errors.

Because of the Tax Cuts and Jobs Act, Form W-4 is complex, making it difficult for employees to understand income tax withholding requirements and accurately complete the form. For example, many employees have told PAYO's members that the Form W-4 is more difficult to complete than the Form 1040, U.S. Individual Income Tax Form. To the extent possible, PAYO asks Congress to simplify the information employees must provide to account for accurate federal income tax withholding.

To discuss federal employment taxes and PAYO's comments further, please contact me at 202-669-4001 or by email at ajacobsohn@payroll.org.

Sincerely,



Alice P. Jacobsohn, Esq.
Director, Government Relations

For: Government Relations Task Force
Federal Issues Subcommittee
Chairs Becky Harshberger, CPP; Mindy Mayo, CPP; and Jon Schausten, CPP

Cc:

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