

IRS Releases Updated Form W-4 and Withholding Calculator

The IRS has released a new version of Form W-4 and a revised Withholding Calculator on irs.gov (IR-2018-36). These updated tools can help you check your 2018 tax withholding to determine if it's still appropriate following passage of the Tax Cuts and Jobs Act in December 2017. The IRS urges taxpayers to use these tools to make sure they have the right amount of tax withheld from their paychecks, taking into account significant changes to the tax law for 2018.

Getting It Right

If you have too much tax withheld, you will receive a refund when you file your tax return, but it might make more sense to reduce your withholding and receive more in your paycheck. If you have too little tax withheld, you will owe tax when you file your tax return, and you might owe a penalty. You can use a number of worksheets for the Form W-4 or the IRS Withholding Calculator to help you plan your tax withholding strategy.

The IRS notes that the following groups, in particular, should make an extra effort to check their withholding:

- Two-income families
- People with more than one job at the same time
- People who work only for part of the year
- People with children who claim credits, such as the child tax credit
- People who itemized deductions in 2017
- People with high incomes and more complex returns

The revised Form W-4 and Withholding Calculator can be used to update your withholding in response to the new tax law provisions, or if you start a new job or have other changes in your personal circumstances.

Form W-4

If changes reduce the number of allowances you are allowed to claim, or your marital status changes from married to single, you must give your employer a new Form W-4 within 10 days. You can generally submit a new Form W-4 whenever you wish to change your withholding allowances for any other reason. See IRS Publication 505, Tax Withholding and Estimated Tax (a new version is expected to be available in early spring).

Your employer will withhold tax from your paycheck based on the information you provide on Form W-4 and the IRS withholding tables. On the W-4, you provide your withholding tax filing status, the number of withholding allowances you're claiming, any additional tax you want withheld from each paycheck, and whether you claim exemption from withholding.

There are three withholding tax filing statuses: single, married, or married with tax withheld at single rate. If your regular tax filing status is married filing separately, you must use married with tax withheld at single rate as your withholding tax filing status.

In general, you can claim various withholding allowances based on your tax filing status and the tax credits, itemized deductions (or any additional standard deduction for age or blindness), and adjustments to income that you expect to claim. You might increase the tax withheld or claim fewer allowances if you have a large Page 1 of 2, see disclaimer on final page amount of nonwage income. (If you have a significant amount of nonwage income, you might also consider making estimated tax payments using IRS Form 1040-ES.) The amount withheld can also be adjusted to reflect that you have more than one job at a time and whether you and your spouse both work.



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New Tax Laws for 2018

You can claim exemption from withholding for the current year if: (1) for the prior year, you were entitled to a refund of all federal income tax withheld because you had no tax liability; and (2) for the current year, you expect a refund of all federal income tax withheld because you expect to have no tax liability.

After your Form W-4 takes effect, you can also use the IRS Withholding Calculator to check how the amount of tax being withheld compares to your projected tax.

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