

Commco Comments

Timely Information and Updates for Employers and Retirement Plan Sponsors

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 at irs.gov. Employers are encouraged to notify their employees of these updated tools. The calculator can help your employees check their 2018 tax withholding to determine if it's still appropriate following the passage of the Tax Cuts and Jobs Act in December 2017. The new Form W-4 is what they would use to direct you to adjust their withholdings if any changes are warranted. The IRS urges all taxpayers 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. As an employer, you may decide to distribute a notice to help your employees ensure they get it right.



WIN A \$25 GIFT CARD

to your choice of
Amazon.com or
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To be entered into
the drawing, email
quiz@thecommmco.com
with the correct answer
to this question:

True or False?

If an employee's
marital status changes
from married to single,
they must complete a
new W-4 within 15 days.

Getting It Right

If employees have too much tax withheld, they will receive the excess as a refund when they file their tax returns, but it might make more sense for them to reduce their withholding and receive more in their regular paycheck. If they have too little tax withheld, they will owe tax when they file their tax return and might owe a penalty as well.

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 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 withholding in response to the new tax law provisions, a new job, or other changes in personal circumstances.

Form W-4

If changes reduce the number of allowances an employee is allowed to claim, or their marital status changes from married to single, they must provide their employer with a new Form W-4 within 10 days. Employees



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can generally submit a new Form W-4 whenever they wish to change their withholding allowances for any other reason.

There are three withholding tax filing statuses: single, married, or married with tax withheld at single rate. Employees whose regular tax filing status is "married filing separately" must use "married with tax withheld at single rate" as their withholding tax filing status on Form W-4.

In general, employees can claim various withholding allowances based on their tax filing status and the tax credits, deductions, and adjustments to income that they expect to claim. For example, they might increase the tax withheld or claim fewer allowances if they have a large amount of taxable nonwage income. The amount withheld can also be adjusted to reflect that they have more than one job at a time and whether they have a spouse who also works.

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

Employees can also use the IRS Withholding Calculator at <https://www.irs.gov/individuals/irs-withholding-calculator> to check how the amount of tax being withheld compares to their projected tax liability. This can be done to check if a new Form W-4 should be submitted, and again after any changes take effect to confirm the impact the new withholdings are likely to have at tax filing time.

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