

## Withholding Calculator Frequently Asked Questions

### **Q: Should all employees check their withholding?**

A: Yes. Employees should check their withholding at the beginning of each year or when their personal circumstances change. It's even more important this year for people to do a "paycheck checkup" following the changes in the new tax law. With the new tax law, it's especially important for people who have previously itemized their deductions, have two or more jobs in their household, or have dependents, to check their withholding. Using the [Withholding Calculator](#) is the best way to check that you aren't having too much or too little tax withheld from your paychecks.

### **Q: Why should I check on my withholding?**

A: The IRS always recommends employees check their withholding each year to make sure they're having the right amount of tax withheld from their paychecks. This year, it's more important than ever to check following major changes from the new [Tax Cuts and Jobs Act](#). Among other things, the new law increased the standard deduction, removed personal exemptions, increased the child tax credit, limited or discontinued certain deductions and changed the tax rates and brackets. These changes mean it's an especially good idea to do a "paycheck checkup" to review your tax withholding. Also, if you experience a change in your status that affects the number of your withholding allowances – such as a divorce – then you should check withholding so that you can give your employer a new Form W-4/

### **Q: Are some employees more likely to need to change their withholding in 2018?**

A: Yes. For people with simpler tax situations, the 2018 [withholding tables](#) were designed to produce the correct amount of tax withholding—avoiding under- and over-withholding of tax. This means that people with simple situations do not need to make any changes, assuming their current [Form W-4](#) on file with their employer was filled out following the form instructions. Simple situations include singles and married couples with only one job, who have no dependents, and who do not claim itemized deductions, adjustments to income or tax credits.

But many people have more complicated financial situations, and tax withholding from their wages might need to be revised. With the new tax law changes, it's especially important for these people to use the [Withholding Calculator](#) on IRS.gov to check if they have the right amount of withholding.

Among the groups with more complicated financial situations who should check their withholding are:

- Families with more than one earner.
- People with two or more jobs at the same time or who only work for part of the year.

- People with children who claim credits such as the Child Tax Credit.
- People with older dependents, including children age 17 or older.
- People who itemized deductions in 2017.
- People with high incomes and more complex tax returns.

Taxpayers with more complex situations might need to use Publication 505, Tax Withholding and Estimated Tax, expected to be available on IRS.gov in early spring, instead of the Withholding Calculator. For example, this includes those who owe self-employment tax, the alternative minimum tax, or tax on unearned income from dependents, and people with capital gains or dividends.

**Q: For 2018, when should I check the Withholding Calculator?**

A: As soon as possible. Withholding takes place throughout the year. The earlier you check, the more time there is for withholding to take place evenly during the rest of the year. However, it is a good idea to check the [Withholding Calculator](#) when you have a copy of your 2017 tax return or your 2016 return available; having this will make using the Withholding Calculator easier.

**Q: How do I change the amount of tax withheld from my paychecks?**

A: To change the amount of tax withheld from your paychecks, complete [Form W-4](#) and give it to your employer. You can do this whenever you determine you need to have more — or less — tax withheld. This includes if you use the [Withholding Calculator](#), the worksheets on Form W-4, or Publication 505 or if you consult your tax advisor.

**Q: Do the withholding changes affect the 2017 tax return that's due in 2018?**

A: No. The withholding changes don't affect 2017 tax returns. However, your completed 2017 tax return will help you use the [Withholding Calculator](#) to check the right amount of tax to withhold in 2018. The withholding changes will affect your 2018 tax return, which you will file in 2019.

**Q: The tax rates were reduced by the new law. Why should I check on my tax withholding?**

A: New [withholding tables](#) that were released in January reflect the lower tax rates, but there are other changes in the tax law that could affect the tax you owe for 2018. Checking on your withholding now can help you see if you are having the right amount of tax withheld, so you don't have too little or too much tax withheld.

**Q: I always get a refund. Why should I check my withholding?**

A: Although it's anticipated that the number of taxpayers receiving a refund in 2019 will still be about the same as in prior years, the tax law changes mean it's more important to check your withholding this year. On the one hand, taking this step can help protect against having too little tax withheld and facing an unexpected tax bill or penalty at tax time. On the other hand, with the average refund topping \$2,800, some people might prefer having less tax withheld up front and receiving more in their paychecks.

The IRS encourages employees to use the [Withholding Calculator](#) to check their personal situation and help see if they are having the right amount of tax withheld. This is especially important for people who have previously itemized their taxes, have two or more jobs in their household or have dependents.

**Q: Are some taxpayers at risk of being under-withheld?**

A: Some people have more complicated tax situations and face the possibility of being under-withheld. For example, people who itemized their deductions in the past, have two or more jobs in their household, or have dependents age 17 or over are especially encouraged to review their tax situations. See Q&A 3. But the IRS is encouraging all employees to check their withholding. The IRS has updated the 2018 [Form W-4](#) and the [Withholding Calculator](#) to help with this process.

**Q: Are many people under-withheld on their taxes?**

A: Most employees are over-withheld on their taxes, meaning that more taxes than they owe are withheld from their paychecks. More than seven in ten taxpayers were over-withheld for tax year 2016, meaning they got refunds when they filed their tax returns in 2017. In particular, taxpayers who have children under age 17 may see their refunds increase as a result of the new tax law. These taxpayers might want to use the [Withholding Calculator](#) to learn how they can reduce their withholding and get more money in their paychecks now.

**Q: What are the penalties for under-withholding?**

A: By law, an estimated tax penalty usually applies when a taxpayer pays too little of their total tax during the year. The penalty is calculated based on the interest rate charged by the IRS on unpaid tax. For most people, avoiding the penalty means ensuring that at least 90 percent of their total tax liability is paid during the year, either through income-tax withholding or by making quarterly estimated tax payments. Exceptions to the penalty or special rules apply to some groups of taxpayers, such as farmers, fishers, casualty and disaster victims, those who recently became disabled, recent retirees, those who base their payments on last year's tax and those who receive income unevenly throughout the year. The penalty is discussed in detail in IRS Publication 505, expected to be available on IRS.gov in early spring.

**Q: Does the IRS prefer that people get refunds?**

A: This is a personal choice for taxpayers. The IRS wants to help people understand their tax responsibilities and how withholding affects their paychecks. The IRS also

wants to help ensure a smooth filing process, including getting refunds to taxpayers as quickly as possible. The IRS always encourages people to plan ahead so they're not hit with an unexpected tax bill or even penalties for not having enough withholding during the year.

**Q: Will employees need to fill out a new Form W-4 right now in 2018?**

A: It depends. The new [withholding tables](#) are designed to minimize taxpayer burden as much as possible and will work with the [Forms W-4](#) that workers have already submitted to their employers to claim withholding allowances. The IRS revised the Form W-4 worksheets and the [Withholding Calculator](#) to reflect the new law more fully and provide employees information to determine whether they need to adjust their withholding. Employees should use the Withholding Calculator to check if they need to adjust their withholding. If they need to fill out a new Form W-4, they should do so and give it to their payroll office as soon as possible.

**Q: I'm fine with my current withholding as it currently is. Do I need to submit a new Form W-4?**

A: No, not necessarily. Payroll changes involving withholding are made each year by employers and their payroll providers, so you are not required to take any extra steps in 2018. However, because the tax laws have recently changed, you should review your withholding to make sure that it is accurate. Using the [Withholding Calculator](#) can help you check if your withholding is accurate or determine if you need to adjust your withholding by submitting a [Form W-4](#) to your employer.

**Q: I need to submit a new Form W-4. How many allowances should I claim?**

A: The [Withholding Calculator](#) will help you determine that. Remember, the fewer allowances you enter on the [Form W-4](#), the more tax will be withheld from your paycheck. So, entering "0" or "1" on Line 5 of your Form W-4 will mean more tax is withheld from your paycheck. Entering a larger number of allowances means less tax withholding—which means a smaller tax refund or potentially a tax bill when you file your tax return. Please review your situation carefully. The Withholding Calculator can help you do this.

**Q: What should I do if a life change affects my withholding allowances?**

Normally, you have 10 days to submit a new [Form W-4](#) to your employer after a life change that reduces your withholding allowances. However, IRS [Notice 2018-14](#) allows employees to use the 2018 Form W-4 released on Feb. 28, 2018. If you have life changes that reduce your withholding allowances and you use the 2018 Form W-4, you have 30 days after the release of the 2018 revision of the Form W-4 to submit the new Form W-4. Changes that reduce withholding allowances include divorce, starting a second job, or a child no longer being a dependent.

**Q: Can my payroll office or human resources department help me understand these tax law changes or use the Withholding Calculator?**

A: It's your responsibility to check your withholding and determine if it's accurate for your personal situation. Payroll offices and human resource departments are responsible only for processing the [Form W-4](#). It's important to remember people working in these offices do not know the rest of your personal financial situation, and they are not responsible for giving you tax advice. If you have tax questions, consult with a trusted [tax professional](#).

**Q: Does it make any difference when I check on my withholding?**

A: Sooner is better. Withholding takes place throughout the year. The earlier you check, the more time there is for any changes in withholding to take place evenly during the rest of the year. In addition, employees who need to submit a new [Form W-4](#) to adjust their withholding should keep in mind that it will take time for their employers to make the changes. Factors that can affect how quickly withholding changes are made can also include how often you are paid (for example, weekly, biweekly or monthly) and at what point in your pay period you submit the W-4 to your employer.

**Q: What is a withholding table?**

A: A withholding table shows payroll service providers and employers how much tax to withhold from employee paychecks, given each employee's wages, marital status and the number of withholding allowances they claim.

**Q: What is a Form W-4?**

A: This is an IRS form that employees give to their employers that provides information used to determine the amount of federal income tax to withhold from each employee's paycheck. Employees should check their withholding any time their personal or financial information changes. The [Form W-4](#) has worksheets to help employees adjust withholding based on their personal circumstances, such as whether they have children or a spouse who is also working. Employees who use the Withholding Calculator to check their withholding do not need to complete any of the worksheets on the Form W-4.

**Q: What is the Withholding Calculator?**

A: The [Withholding Calculator](#) is a tool on IRS.gov designed to help employees determine how to have the right amount of tax withheld from their paychecks. It is a more accurate alternative to the worksheets that accompany the [Form W-4s](#). The Withholding Calculator has been updated to reflect the tax law changes in the [Tax Cuts and Jobs Act](#) signed into law December 2017. When taxpayers use the Withholding Calculator, it will help them determine if they need to adjust their withholding and submit a new Form W-4 to their employer.

**Q: Why did the IRS update the Withholding Calculator and the Form W-4?**

A: The updates are needed to reflect the changes that were included in the [Tax Cuts and Jobs Act](#) signed into law in December 2017. In January 2018, the IRS issued [updated withholding tables](#) for employers to make changes to their payroll systems. The updated tables are designed to work with existing W-4s that employees have on file, but many taxpayers (such as those with children or multiple jobs, and those who itemized deductions under prior law) are affected by the new law in ways that couldn't be accounted for in the new withholding tables. Therefore, in February 2018, the IRS updated the Withholding Calculator and [Form W-4](#) to help people determine if they are having the correct amount of tax withheld from their paychecks.

**Q: Will the IRS be making further changes to Form W-4 in 2019?**

A: In 2019, the IRS anticipates making further changes involving withholding. The IRS will work with businesses and the tax and payroll communities to explain and implement these additional changes.