

# Form W-4 Essentials

## How Clients Can Get Their Income Tax Withholding Right

### Form W-4 Basics

- [Form W-4, Employee's Withholding Allowance Certificate](#), is completed and submitted to your employer so they know how much federal income tax to withhold from your pay.
- Most people have their federal taxes over-withheld so that more taxes are held out of their paychecks than what they owe.
- Typically, you would file a new W-4 when your personal or financial situation changes.
- A W-4 takes into account the number of people in your household, tax deductions, tax credits and other income.
- It's recommended that you complete a W-4 when you encounter the following situations:
  - Married couples with multiple jobs
  - Itemizing deductions on Schedule A
  - Individuals with more than one job
  - People with high income and more complex tax returns
  - People with children who claim credits
- Taxpayers, especially those with more involved tax situations (kids, itemized deductions, two-income families, two or more jobs at once, and high incomes), should update their W-4 in response to the new law.

### Tax Reform Law

- The recently passed Tax Cuts and Jobs Act ([summary of changes](#)) overhauls the tax code and provides broad tax relief to workers, families and businesses of all sizes. A typical family of four earning \$73,000 a year could receive a tax reduction of as much as \$2,000. Most of the provisions contained in the tax reform bill apply to **tax year 2018**.
- The tax reform package contains changes, such as:
  - Increased child tax credit to \$2,000 for married couples and \$1,000 for head of household
  - Increased standard deduction to \$12,000 for individuals, \$24,000 for married couples
  - Elimination of the personal exemption

### Withholding Tables

- The IRS has released updated [income tax withholding tables](#) for 2018 that take into account certain tax reform laws, such as the reduced income tax rates.
- Employers should have incorporated these updated tables into employee paychecks by Feb. 15, 2018, and this will result in an increase in net pay for many taxpayers.
- For taxpayers in simple tax situations (single and married couples, only one job, no dependents and not claiming deductions or credits), the new withholding amounts reflected in their paychecks are designed to generate the correct amount of tax withholding for 2018.

### Withholding Calculator

- The IRS has updated the [withholding calculator](#) to help people determine the right withholding amount as a result of the new law, a new job or change in circumstances.

### Form W-4

- The IRS has made changes to the 2018 version of [Form W-4](#) to take into account the tax reform changes.
- Taxpayers are encouraged to complete a new Form W-4 to ensure their withholding allowances are correct in light of the new law.

### Estimated Taxes

- Taxpayers with more complex situations (self-employment income, alternative minimum tax) should refer to IRS Publication 505, *Tax Withholding and Estimated Tax*, which will be available on IRS.gov in early spring.

### Other

- If you are not sure about what to do, consider meeting with us to prepare a new Form W-4.
- [Additional information](#)