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
  - Individuals with more than one job
  - People with children who claim credits
  - Itemizing deductions on Schedule A
  - People with high income and more complex tax returns

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 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