



Fine-tune your tax withholding after filing your return

Many taxpayers discover at filing time that their tax payments during the year didn't align with their actual liability — either too much or too little was withheld from their paychecks. A small difference is to be expected, but withholding that's significantly off target can have negative consequences. Overwithholding reduces the amount available to you throughout the year. Substantial underwithholding can lead to a large balance due, along with potential interest and penalties.

If you received a large refund or owed a lot of tax when you filed your 2025 return, it's a good idea to take a closer look at how much tax is being withheld from your income this year. Reviewing and fine-tuning your withholding now can help you better align your payments with your 2026 tax liability.

Review your income and withholding

If all or most of your income is from wages, whether from a salary or hourly pay, your employer withholds amounts from your paychecks intended to cover your annual income tax liability. However, these withholding amounts are estimates based on IRS withholding tables, which approximate a typical worker's annual tax liability at your compensation level.

Your situation may differ from that of a comparably compensated worker for various reasons. You might have larger deductions or credits than is typical, which could make standard withholding too high. Or you might have additional income from other sources, which could make standard withholding too low.

Adjust your withholding if needed

One way to minimize overpayments or underpayments is to estimate your tax liability for the year. Then, if necessary, adjust your withholding by completing a new Form W-4, "Employee's Withholding Certificate."

The IRS's Tax Withholding Estimator can help. It now reflects key provisions of the One Big Beautiful Bill Act (OBBBA), including the elimination of taxes on qualified tips and qualified overtime (up to applicable limits), as well as new deductions for seniors and auto loan interest. It also more accurately accounts for OBBBA changes to tax breaks related to families, homeownership and charitable giving.

Once you submit a new Form W-4 to your employer, changes typically will take a few weeks to go into effect. Keep that in mind when you determine your adjustments.

Revisit withholding after life changes

Changes during the year can affect the accuracy of your withholding. Review your Form W-4 and consider making adjustments if you:

- Experience a significant increase or decrease in income,
- Get married or divorced,
- Have a child or add a dependent,
- Buy a home, or
- Receive new sources of income not subject to withholding.

Even if you've already adjusted your withholding, reviewing it again after a major life event can help you stay on track.

Use withholding strategically

If part of your income isn't subject to withholding, estimated tax payments may also come into play. You can avoid penalties for missing or underpaying an estimated payment by increasing your withholding to make up the difference. Unlike estimated tax payments, withholding amounts are treated as paid evenly throughout the year — regardless of when they're actually withheld.

Using this strategy, you can increase withholding from your wages (or from your spouse's, if you're married). Alternatively, if you're retired and don't have wages from which to withhold taxes, increasing withholding from your IRA or other retirement plan distributions may be possible.

Find the right balance

Keeping your withholding aligned with your expected tax liability can help you enjoy better cash flow during the year and avoid surprises at filing time. We can review your current withholding (and estimated tax payments, if applicable), project your tax liability for the year and assist with deciding whether to make any withholding changes for 2026.

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