



Conduct a “paycheck checkup” to make sure your withholding is adequate

Did you recently file your federal tax return and were surprised to find you owed money? You might want to change your withholding so that this doesn’t happen next year. You might even want to do that if you got a big refund. Receiving a tax refund essentially means you’re giving the government an interest-free loan.

Withholding changes

In 2018, the IRS updated the withholding tables that indicate how much employers should hold back from their employees’ paychecks. In general, the amount withheld was reduced. This was done to reflect changes under the Tax Cuts and Jobs Act — including an increase in the standard deduction, suspension of personal exemptions and changes in tax rates.

The tables may have provided the correct amount of tax withholding for some individuals, but they might have caused other taxpayers to not have enough money withheld to pay their ultimate tax liabilities.

Review and possibly adjust

The IRS is advising taxpayers to review their tax situations for this year and adjust withholding, if appropriate.

The tax agency has a withholding calculator to assist you in conducting a paycheck checkup. The calculator reflects tax law changes in areas such as available itemized deductions, the increased child credit, the new dependent credit and the repeal of dependent exemptions. You can access the IRS calculator here: <https://bit.ly/2OqnUod>.

Changes may be needed if...

There are some situations when you should check your withholding. In addition to tax law changes, the IRS recommends that you perform a checkup if you:

- Adjusted your withholding in 2019, especially in the middle or later part of the year,
- Owed additional tax when you filed your 2019 return,
- Received a refund that was smaller or larger than expected,
- Got married or divorced, had a child or adopted one,
- Purchased a home, or
- Had changes in income.

You can modify your withholding at any time during the year, or even multiple times within a year. To do so, you simply submit a new Form W-4 to your employer. Changes typically go into effect several weeks after a new Form W-4 is submitted. (For estimated tax payments, you can make adjustments each time quarterly estimated payments are due. The next payments are due on July 15 and September 15.)

Good time to plan ahead

There's still time to remedy any shortfalls to minimize taxes due for 2020, as well as any penalties and interest. Contact us if you have any questions or need assistance. We can help you determine if you need to adjust your withholding.

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