

Did You End Up Owing Taxes or Getting a Big Refund? Maybe You Need to Adjust Your W-4

Article Highlights:

- Large Refund or Tax Due
- Employers Withhold Based on W-4
- IRS Online Withholding Calculator
- Self-employed Taxpayers

If you are a wage earner and that is your primary source of income and you received a very large refund—or worse, if you owed money—then your employer is not withholding the correct amount of tax (but it probably isn't your employer's fault). Sure, you like a big refund, but you have to remember you are only getting your own money back that was over-withheld in the first place. Why not bank it and have access to it all year long instead of providing Uncle Sam with an interest-free loan?

Employers withhold tax based upon the information you provide them on Form W-4, and to adjust your withholding you will need to provide your employer with an updated W-4. Although the W-4 appears to be an easy form to fill out, this is where many taxpayers go wrong because they have other income, itemize their deductions or qualify for various tax credits.

You can solve this problem by using the IRS's online W-4 calculator that helps taxpayers determine the correct amount of allowances to claim on their W-4. It takes into account a variety of issues, including itemized deductions, other income, tax credits, and tax already withheld.

You will need the following available before using the IRS calculator:

- Your (and your spouse's if you file jointly) most recent pay stub
- A copy of your most recent income tax return

You will be required to estimate some values, so remember the results are only going to be as accurate as the input you provide.

[Click Here To Access The IRS Withholding Calculator](http://apps.irs.gov/app/withholdingcalculator/index.jsp)
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Once you have determined the filing status and allowances to claim using the IRS calculator, download a copy of [Form W-4](#), *Employee's Withholding Allowance Certificate*, fill it in and give it to your employer.

Caution: If you are uncomfortable using the IRS's online calculator, don't understand some of the terminology, or have multiple jobs or a working spouse, you may need professional help to determine the correct number of W-4 allowances. Also the federal W-4 allowances may not translate properly for your state withholding.

Tip: Once your employer has implemented the new W-4 allowance, double-check the withholding to make sure it is approximately what you had intended. It is not uncommon for errors to occur in an employer's payroll department that could lead to unpleasant surprises at tax time.

If you are self-employed, you generally pay estimated taxes instead of having payroll withholding. You may be self-employed and also have salaried employment, or your spouse may have payroll income or be self-employed. There are a multitude of possible combinations. If so, the IRS withholding calculator is not suitable for your

needs, and you will probably need professional assistance in determining a combination of estimated taxes and payroll withholding.

Please call this office for assistance in preparing your W-4s and determining your estimated tax payments.