

FORM W-4 INFO

651-287-0187
www.prepareandprosper.org

What is Form W-4?

Form W-4 tells your employer how much money to withhold from your paychecks for taxes. Your employer sends those payments directly to the IRS and the state on your behalf. Setting your withholding correctly on Form W4 ensures that you pay your annual income taxes throughout the year.

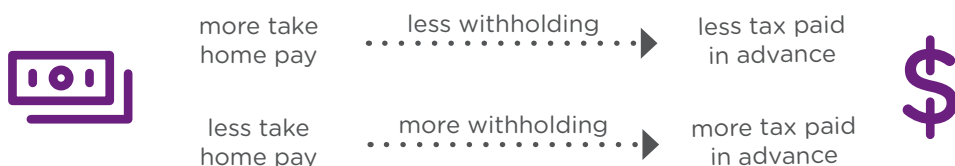


Too much withholding results in overpaying your taxes, and you will get the extra withholding back as a refund.



Not enough withholding results in underpaying your taxes, and you will owe a balance due when you file your tax return.

The information you give your employer on Form W-4 doesn't change your tax liability (income taxes you owe for the year). It changes when you pay your taxes by spreading out your tax liability throughout the year. You can pay smaller amounts from each paycheck (withholding) or pay a larger sum at tax time when you file your tax return. At tax time, "paying" can mean owing a balance due or receiving a smaller refund.



Claiming exempt

There is an option on Form W-4 to claim exempt, meaning no taxes will be withheld from your paycheck. But you are likely not entirely exempt from taxes. This option is for people who have very low income and will not have a tax liability. If you choose to claim an exemption, your employer will not withhold any taxes. When you fill out Form W-4, only complete Step 1 and Step 5. Do not answer the filing status question in Step 1.

Do not choose this option only to have a higher take home pay, because it may result in having a high balance due and owing penalties when you file your tax return.

Multiple jobs or multiple wage earners

Your Form W-4 and the amount you earn on each paycheck determine the exact amount of tax withheld. If you have multiple jobs, or if you and your spouse both work, it's important to take extra steps on your Form W-4 to get the calculations correct. Your employer sets your withholding based on the information on your Form W-4 and your income at their company. If you'll have other income, often you will want to ask for more withholding.

Example: You earn \$14,000 from Employer A and \$18,000 from Employer B.

- **Option 1:** You fill out Form W-4 for each employer and do not include any information about your other income. Employer A withholds taxes thinking your total annual income is \$14,000. Employer B withholds based on \$18,000 in annual income. Your actual tax liability will be based on \$32,000 of income, so your employers will not withhold enough taxes.
- **Option 2:** You fill out Form W-4 and request additional withholding on the job from Employer B. Employer A withholds taxes at the standardized rate for income of \$14,000. Employer B withholds more tax to cover the combined income from each job.

Filling out Form W-4

Form W-4 uses standard withholding amounts based on your tax return filing status. Some other life situations influence your tax liability and you can include information on Form W-4 to make sure you have the right amount of tax withholding. Here are some tips for each step of Form W-4.

Step 1: Enter Personal Information	Enter your basic information and your filing status. If you are a single filer with no dependents and all your income comes from one job, you can skip steps 2, 3, and 4.
Step 2: Multiple Jobs or Spouse Works	If you have multiple jobs or if you are married and you and your spouse both work, use the IRS Withholding Estimator or the worksheets in the Form W-4 instructions to get your withholding right. If you only have one job, skip this step!
Step 3: Claim Dependents	Use the prompts to add up amounts for each child or dependent you will claim. <i>To withhold more:</i> you can choose to leave line 3 blank even if you will claim dependents. <i>To withhold less:</i> you can enter a higher number on line 3. For example, you can combine the estimated amount of an education credit with the total for dependents and enter the total on Line 3.
Step 4 (optional): Other Adjustments	4(a): List other income that does not come from jobs (like retirement income, self-employment income, or unemployment). Your employer will withhold more to help cover the tax on the other income. 4(b). Enter deductions you plan to claim. This will decrease the amount of tax withheld, because the deductions lower your taxable income. 4(c). Write-in extra withholding to increase the amount of tax withheld by a specific amount. If you use the IRS Withholding Estimator to calculate your withholding for multiple jobs, enter the additional amount on Line 4(c).
Step 5: Sign Here	Sign your Form W-4 to confirm the information you provided.

Calculations for Step 4

The IRS has an online tool to help you accurately calculate entries for Form W-4 if you have multiple jobs, other income, or if you and your spouse both work. You will need your most recent pay stub from each job. After you enter your information, use the “How to Adjust Your Withholding” sections for each job to update Form W-4.

IRS Withholding Estimator: www.irs.gov/W4App

Alternatively, the Form W-4 instructions has worksheets for multiple jobs or multiple wage earners and for calculating possible deductions that impact your withholding. You can use the worksheets instead of the IRS withholding estimator, but you don't need to use both.

When to submit a new Form W-4?

You will fill out Form W-4 when you start a new job; however, you can and should change your withholding when personal or financial situations change. Ask your employer about how to do it.

- **Major life events** like marriage, divorce, having a child (or claiming a new dependent), or no longer claiming a child (or other dependent) have an impact on your tax situation and therefore impact how much tax you should have withheld.
- **Tax time** is good for reviewing and updating your withholding. Ask your tax preparer to show you the lines for total tax and tax withholding to see if you had the right amount taken out of your paychecks.
- **Self-employment income** does not have tax withheld, but if you are or become partly self-employed, you can write in your estimated self-employment income on Form W-4. Your employer will take out more withholding to help pay the tax on self-employment income. (Or you can make quarterly estimated payments of income taxes during the year.)