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IR-2015-120: Tax Preparedness Series: Employees Should Take Time to Check Withholding

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WASHINGTON — TheInternal Revenue Service reminds taxpayers that the earlier in the year they check their withholding, the easier it will be to get the right amount of tax withheld.

Besides wages, income tax is often withheld from other types of income, such as pensions, bonuses, commissions and gambling winnings. Ideally, taxpayers should try to match their withholding with their actual tax liability. If not enough tax is withheld, they will owe tax at the end of the year and may have to pay interest and a penalty. If too much tax is withheld, they will lose the use of that money until they get their refund.

This is the first in a series of weekly tax preparedness releases designed to help taxpayers begin planning to file their 2015 return.

When Should Taxpayers Check their Withholding?

- When a taxpayer gets a big refund, or finds that they have an unexpected balance due.

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- Any time there are personal or financial changes that might affect their tax liability, such as getting married, getting divorced, having a child or buying a home.
- When there are changes in federal tax law that might affect their tax liability.

How to Check the Amount being withheld

Use the IRS Withholding Calculatoron IRS.gov. This easy-to-use tool can help figure the taxpayer's federal income tax withholding so their employer can withhold the correct amount from their pay. This is particularly helpful if they've had too much or too little withheld in the past, their situation has changed, or they started a new job.

Taxpayers may also use the worksheets and tables in Pub 505: *TaxWithholding and Estimated Tax,* to see if they are having the right amount of tax withheld.

How to Change the Amount being withheld

Events during the year may change a taxpayer's marital status or the exemptions, adjustments, deductions, or credits they expect to claim on their return. When this happens, taxpayers may need to give their employer a new Form W-4, *Employee's Withholding Allowance Certificate* to change their withholding status or number of allowances.

Generally, taxpayers should give their employer a new Form W–4 within 10 days after either:

- A divorce, if they have been claiming married status, or
- Any event that decreases the number of withholding allowances they can claim.

Other Considerations

- Taxpayers, who bought 2015 insurance coverage through the Health Insurance Marketplace, should report changes in circumstances to the Marketplace when they happen. Reporting changes in income or family size will help taxpayers avoid getting too much or too little advance payment of the premium tax credit. Receiving too much or too little in advance can affect the amount of their refund or how much they may owe when they file their tax return. For help getting it right, see this change in the circumstances estimator.
- Taxpayers may need to include Additional Medicare Tax and Net Investment Income Tax

when figuring withholding and estimated tax. Taxpayers may request that employers deduct and withhold an additional amount of income tax withholding from wages on Form W-4 if they are affected by these taxes.

Find more information on this and other tax topics by visiting: www.irs.gov/Individuals.

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