

Use 2018 Tax Return to Get 2019 Withholding Correct

Cross References

- IR-2019-80, April 26, 2019

Millions of taxpayers filed a 2018 tax return in the last few weeks, making now a prime time for everyone to consider whether their tax situation came out as they expected. If it didn't, they can use their recently finished 2018 return and the IRS Withholding Calculator to do a Paycheck Checkup and adjust their withholding.

Checking and then adjusting their tax withholding can help make sure they don't owe more tax than they are expecting. Usually they can also avoid a surprise tax bill and possibly a penalty when they file next year. At the same time, with the average refund more than \$2,700, some taxpayers may choose to reduce their withholding to have a larger paycheck and smaller refund.

Now is an ideal time to check withholding, since having a completed tax return is helpful when using the Withholding Calculator on www.irs.gov. Since taxpayers need to estimate deductions, credits and other amounts for 2019, having similar information from the 2018 return can make using the Withholding Calculator easier. Use the following web address to access the IRS Withholding Calculator:

<https://www.irs.gov/individuals/irs-withholding-calculator>

Who Should Do a Paycheck Checkup?

Though doing a Paycheck Checkup is a good idea every year, for many people, it's even more important this year. This includes anyone who:

- Adjusted their withholding in 2018—especially those who did so in the middle or later part of the year.
- Owed additional tax when they filed their 2018 tax return.
- Had a refund that was larger or smaller than expected.
- Had life changes such as marriage, childbirth, adoption, buying a home or when income changes.

In addition, most people are affected by changes made in the Tax Cuts and Jobs Act (TCJA), the tax reform legislation enacted in December 2017. These changes included lowered tax rates, increased standard deductions, suspension of personal exemptions, the increased Child Tax Credit and limited or discontinued deductions. As a result, the IRS continues to encourage people to check their withholding, even if they did a Paycheck Checkup in 2018.

This includes taxpayers who:

- Have children and claim credits, such as the Child Tax Credit.
- Have older dependents, including children age 17 or older.

- Itemized deductions in the past.
- Are a two-income family.
- Have two or more jobs at the same time.
- Only work part of the year.
- Have high income or a complex tax return.

Those with more complex situations may need to use Publication 505, *Tax Withholding and Estimated Tax*, instead of the Withholding Calculator. This includes employees who owe self-employment tax, the alternative minimum tax or tax on unearned income from dependents. It can also help those who receive non-wage income, such as dividends, capital gains, rents and royalties. The publication includes worksheets and examples to guide taxpayers through these special situations.

Sooner is Better for a Paycheck Checkup

The IRS urges everyone to do a Paycheck Checkup as early in the year as possible so that if a tax withholding adjustment is needed, there is more time for withholding to happen evenly during the rest of the year. Waiting means there are fewer pay periods to withhold the necessary federal tax.

Changing Withholding

Employees can use the results from the Withholding Calculator to see if they need to complete a new Form W-4, *Employee's Withholding Allowance Certificate*, and submit it to their employer. In some instances, the calculator may recommend that the employee have an additional flat-dollar amount withheld each pay period. Taxpayers don't need to send this form to the IRS after giving it to their employer.

Those who don't pay taxes through withholding, or pay too little tax that way, may still use the Withholding Calculator to determine if they need to pay estimated tax to the IRS quarterly during the year. Those who are self-employed generally pay estimated taxes.