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Client Bulletin

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IRS Releases 2018 Form W-4 And New Withholding Calculator

The Internal Revenue Service (IRS) has released a revised Form W-4, Employee's Withholding Allowance Certificate, for 2018, as well as a Withholding Calculator. The Tax Cuts and Jobs Act (TCJA) made significant changes to tax rates, deductions, tax credits, and withholding allowances for 2018. As a result, employers should consider notifying employees of the new IRS Form W-4 and Withholding Calculator to help individuals determine if they should change their withholding allowances for 2018.

The IRS does not require all employees to file a new Form W-4 for 2018; however, for some people it may be advisable. The IRS encourages employees to check their withholding at the beginning of each year or when their personal circumstances change. It's even more important this year for people to do a "paycheck checkup" following the changes in the new tax law. With the new tax law, it's especially important for people who have previously itemized their deductions, have two or more jobs in their household, or have dependents, to check their withholding.¹

Encourage your employees to consider updating their withholding allowances now to avoid possible tax under-withholding. The Tax Cuts and Jobs Act generally reduced federal income taxes for most people. However, depending on each employee's specific tax situation, they might owe additional tax when they file their 2018 income tax return, even if they typically receive a tax refund from the IRS at year-end. For questions regarding their personal tax situation, remind employees to talk with their tax advisor, or visit www.irs.gov.

The 2018 Form W-4 and related instructions can be found at www.irs.gov/W4.

The IRS online W-4 Calculator can be found at <https://www.irs.gov/individuals/irs-withholding-calculator>.

¹ – reference IRS Withholding Calculator Frequently Asked Questions
<https://www.irs.gov/newsroom/withholding-calculator-frequently-asked-questions>