

## **Updated Withholding Calculator Helps Taxpayers Review Withholding Following New Tax Law**

The Internal Revenue Service has released an updated Withholding Calculator on [IRS.gov](https://www.irs.gov) and a new version of Form W-4 to help taxpayers check their 2018 tax withholding following passage of the Tax Cuts and Jobs Act in December.

The IRS and the Illinois Bankers Association urge taxpayers to use these tools to make sure they have the right amount of tax taken out of their paychecks.

“Following the major changes in the tax law, the IRS encourages employees to check their paychecks to help ensure they’re having the right amount of tax withheld for their personal situation,” said Acting IRS Commissioner David Kautter.

The [Tax Cuts and Jobs Act](#) made changes to the tax law, including increasing the standard deduction, removing personal exemptions, increasing the child tax credit, limiting or discontinuing certain deductions and changing the tax rates and brackets.

If changes to withholding should be made, the [Withholding Calculator](#) gives employees the information they need to fill out a new [Form W-4](#), Employee’s Withholding Allowance Certificate. Employees will submit the completed W-4 to their employer.

The withholding changes do not affect 2017 tax returns due in April of 2018. However, having a completed 2017 tax return can help taxpayers work with the Withholding Calculator to determine their proper withholding for 2018 and avoid issues when they file next year.

### **Steps to Help Taxpayers: Do a “Paycheck Checkup”**

The IRS encourages employees to use the Withholding Calculator to perform a quick “paycheck checkup.” An employee checking his withholding can help protect against having too little tax withheld and facing an unexpected tax bill or penalty at tax time in 2019. It can also prevent employees from having too much tax withheld; with the average refund topping \$2,800, some taxpayers might prefer to have less tax withheld up front and receive more in their paychecks.

The Withholding Calculator can be used by taxpayers who want to update their withholding in response to the new law or who start a new job or have other changes in their personal circumstances in 2018.

As a first step to reflect the tax law changes, the IRS released new [withholding tables](#) in January. These tables were designed to produce the correct amount of tax withholding -- avoiding under- and over-withholding of tax -- for those with simple tax situations. This means that people with simple situations might not need to make any changes. Simple situations include singles and married couples with only one job, who have no dependents, and who have not claimed itemized deductions, adjustments to income or tax credits.

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People with more complicated financial situations might need to revise their W-4. With the new tax law changes, it's especially important for these people to use the Withholding Calculator on [IRS.gov](https://www.irs.gov) to make sure they have the right amount of withholding.

Among the groups who should check their withholding are:

- Two-income families.
- People with two or more jobs at the same time or who only work for part of the year.
- People with children who claim credits such as the Child Tax Credit.
- People who itemized deductions in 2017.
- People with high incomes and more complex tax returns.

Taxpayers with more complex situations might need to use Publication 505, Tax Withholding and Estimated Tax, expected to be available on [IRS.gov](https://www.irs.gov) in early spring, instead of the Withholding Calculator. This includes those who owe self-employment tax, the alternative minimum tax, or tax on unearned income from dependents, and people who have capital gains and dividends.

***The Illinois Bankers Association is a full-service trade association dedicated to creating a positive business climate that benefits the entire banking industry and the communities they serve. Founded in 1891, the IBA brings together state and national banks and savings banks of all sizes in Illinois. Collectively, the Illinois banking industry employs more than 120,000 men and women in nearly 4,300 offices across the state.***

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