**Form W-4 Withholding Allowance Frequently Asked Questions**

**Q:** What is a Form W-4?

**A:** Form W-4 is an IRS form that employees give to their employers that provides information used to determine the amount of federal income tax to withhold from each employee’s paycheck. Employees should check their withholding any time their personal or financial information changes. The Form W-4 has worksheets to help employees adjust withholding based on their personal circumstances, such as whether they have children or a spouse who is also working. Employees who use the Withholding Calculator to check their withholding do not need to complete any of the worksheets on the Form W-4. The Withholding Calculator can be accessed here: [https://www.irs.gov/individuals/irs-withholding-calculator](https://www.irs.gov/individuals/irs-withholding-calculator)

**Q:** After January 1, 2018, can employees continue to claim personal allowances on Form W-4?

**A:** The IRS explains in its Frequently Asked Questions that the 2018 income tax withholding tables are designed to work with employees’ current Forms W-4, Employee’s Withholding Allowance Certificate. The 2018 income tax withholding tables continue to provide for personal allowances with values higher than they were in 2017.

**Q:** Does the one-year delay in implementing the loss of the personal allowance deduction into the income tax withholding calculation have any effect on the individual taxpayer’s federal income tax liability for 2018?

**A:** No. The loss of the personal allowance deduction will apply to individual taxpayers effective with the 2018 federal income tax return. For tax year 2018, the IRS warns that some employees with more complex tax situations could face the possibility of being under-withheld. For example, employees who itemize their deductions, couples with multiple jobs or individuals with more than one job a year are encouraged to review their tax situations and determine if
an adjustment to their Form W-4 is necessary. The IRS encourages workers, particularly those with more than one income in their household, to check their 2018 withholding.

**Q:** Are Employers required to send notices or communications to employees about the income tax changes or the Form W-4?

**A:** There is no requirement at this time that employers send notices to employees about the changes in the rules governing individual income tax and their potential impact on the Form W-4. However, because employees may be unaware of the need to check their withholding, informing them generally of their need to check their withholding could prevent misunderstandings should employees discover they are under-withheld when filing their 2018 federal income tax returns.

**Q:** Our employees are asking us how to complete the Form W-4. How much assistance should we provide?

**A:** Individual taxpayers remain responsible for accurately completing Form W-4 and should they have questions employers can refer them to the FAQs on IRS.com or their personal tax professional.

**Q:** Are employees who claimed exemption from federal income tax withholding in 2018 required to submit a new Form W-4 for 2018?

**A:** Yes. Under Treas. Reg. § 31.3402(f)(4)-2(c), Forms W-4 furnished to the employer claiming exemption from withholding for a taxable year are effective up to and including February 15 of the following year. If an employee claiming exemption from withholding has not submitted a new Form W-4 for the current tax year by February 16, the employer is instructed to begin withholding based on the last Form W-4 where the employee didn't claim an exemption from withholding or, if one wasn't furnished, withhold at single with zero withholding allowances.

**NOTE:** In consideration of the IRS delay in publishing the 2018 Form W-4 the following procedures apply for employees who claimed exemption from withholding in 2017:

- Employees have an extended deadline of February 28, 2018, to submit a new Form W-4 for 2018.
- Employers may continue to use a 2017 Form W-4 claiming exemption from withholding through February 28, 2018.
- Up to 30 days after the 2018 Form W-4 is released, the 2017 Form W-4 may be temporarily used for claiming exemption from withholding in 2018 by (1) striking “2017” on line 7 of the Form W-4 and entering “Exempt 2018” in its place, (2) signing the form, and (3) entering the date in 2018 that the form was signed. The employer may
alternatively establish a procedure whereby employees can certify both that they incurred no federal income tax liability for 2017 and they anticipate they will have no federal income tax liability for 2018 and thus are claiming exemption from withholding for 2018. Employers with electronic Form W-4 systems can make alterations that conform with the above.

- Employees who claim exemption from withholding for 2018 using the 2017 Form W-4 under these special rules do not need to furnish a 2018 Form W-4 after the 2018 Form W-4 is released.

**Q:** Are employees with a change in status required to submit a new Form W-4?

**A:** IRC §3402(f)(2)(B) and Treas. Reg. § 31.3402(f)(2)-1(b) provide that if a change in status occurs that reduces the number of withholding allowances to which employees are entitled, employees must, within 10 days, furnish the employer with a new Form W-4 claiming the proper number of withholding allowances.

Employees experiencing a change in status that causes a reduction in the number of withholding allowances for tax year 2018 are not required to furnish employers new withholding allowance certificates until 30 days after the 2018 Form W-4 is released. Employees who have a reduction in the number of withholding allowances solely due to changes under the TCJA are not required to furnish employers new withholding allowance certificates during 2018. Employees who choose to update their withholding may use the 2017 Form W-4 to report changes in withholding allowances until 30 days after the 2018 Form W-4 is released.

**Q:** Will employees need to fill out a new Form W-4 right now in 2018?

**A:** It depends. The new withholding tables are designed to minimize taxpayer burden as much as possible and will work with the Forms W-4 that workers have already submitted to their employers to claim withholding allowances. The IRS revised the Form W-4 worksheets and the Withholding Calculator to reflect the new law more fully and provide employees information to determine whether they need to adjust their withholding. Employees should use the Withholding Calculator to check if they need to adjust their withholding. If they need to fill out a new Form W-4, they should do so and give it to their payroll office as soon as possible.
Withholding Calculator Frequently Asked Questions

**Q:** What is the Withholding Calculator?

**A:** The Withholding Calculator is a tool on IRS.gov designed to help employees determine how to have the right amount of tax withheld from their paychecks. It is a more accurate alternative to the worksheets that accompany the Form W-4s. The Withholding Calculator has been updated to reflect the tax law changes in the Tax Cuts and Jobs Act signed into law December 2017. When taxpayers use the Withholding Calculator, it will help them determine if they need to adjust their withholding and submit a new Form W-4 to their employer.

**Q:** Why did the IRS update the Withholding Calculator & the Form W-4?

**A:** The updates are needed to reflect the changes that were included in the Tax Cuts and Jobs Act signed into law in December 2017. In January 2018, the IRS issued updated withholding tables for employers to make changes to their payroll systems. The updated tables are designed to work with existing W-4s that employees have on file, but many taxpayers (such as those with children or multiple jobs, and those who itemized deductions under prior law) are affected by the new law in ways that couldn’t be accounted for in the new withholding tables. Therefore, in February 2018, the IRS updated the Withholding Calculator and Form W-4 to help people determine if they are having the correct amount of tax withheld from their paychecks.

**Q:** Should all employees check their withholding?

**A:** Yes. Employees should 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. Using the Withholding Calculator is the best way to check that you aren’t having too much or too little tax withheld from your paychecks.

**Q:** Are some employees more likely to need to change their withholding in 2018?

**A:** Yes. For people with simpler tax situations, the 2018 withholding tables were designed to produce the correct amount of tax withholding—avoiding under- and over-withholding of tax. This means that people with simple situations do not need to make any changes, assuming their current Form W-4 on file with their employer was filled out following the form instructions.
Simple situations include singles and married couples with only one job, who have no dependents, and who do not claim itemized deductions, adjustments to income or tax credits.

But many people have more complicated financial situations, and tax withholding from their wages might need to be revised. With the new tax law changes, it’s especially important for these people to use the Withholding Calculator on IRS.gov to check if they have the right amount of withholding.

Among the groups with more complicated financial situations who should check their withholding are:

- Families with more than one earner.
- 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 with older dependents, including children age 17 or older.
- 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 in early spring, instead of the Withholding Calculator. For example, this includes those who owe self-employment tax, the alternative minimum tax, or tax on unearned income from dependents, and people with capital gains or dividends.

**Q:** What is a withholding table?

**A:** A withholding table shows payroll service providers and employers how much tax to withhold from employee paychecks, given each employee’s wages, marital status and the number of withholding allowances they claim.

**Q:** Do the withholding changes affect the 2017 tax return that’s due in 2018?

**A:** No. The withholding changes don’t affect 2017 tax returns. However, your completed 2017 tax return will help you use the Withholding Calculator to check the right amount of tax to withhold in 2018. The withholding changes will affect your 2018 tax return, which you will file in 2019.

**Q:** Are some taxpayers at risk of being under-withheld?

**A:** Some people have more complicated tax situations and face the possibility of being under-withheld. For example, people who itemized their deductions in the past, have two or more
jobs in their household, or have dependents age 17 or over are especially encouraged to review their tax situations. See Q&A 3. But the IRS is encouraging all employees to check their withholding. The IRS has updated the 2018 Form W-4 and the Withholding Calculator to help with this process.

Q: Are many people under-withheld on their taxes?

A: Most employees are over-withheld on their taxes, meaning that more taxes than they owe are withheld from their paychecks. More than seven in ten taxpayers were over-withheld for tax year 2016, meaning they got refunds when they filed their tax returns in 2017. In particular, taxpayers who have children under age 17 may see their refunds increase as a result of the new tax law. These taxpayers might want to use the Withholding Calculator to learn how they can reduce their withholding and get more money in their paychecks now.

Q: What are the penalties for under-withholding?

A: By law, an estimated tax penalty usually applies when a taxpayer pays too little of their total tax during the year. The penalty is calculated based on the interest rate charged by the IRS on unpaid tax. For most people, avoiding the penalty means ensuring that at least 90 percent of their total tax liability is paid during the year, either through income-tax withholding or by making quarterly estimated tax payments. Exceptions to the penalty or special rules apply to some groups of taxpayers, such as farmers, fishers, casualty and disaster victims, those who recently became disabled, recent retirees, those who base their payments on last year’s tax and those who receive income unevenly throughout the year. The penalty is discussed in detail in IRS Publication 505, expected to be available on IRS.gov in early spring.

Q: Will the IRS be making further changes to Form W-4 in 2019?

A: In 2019, the IRS anticipates making further changes to Form W-4. The IRS will work with businesses and the tax and payroll communities to explain and implement these additional changes.