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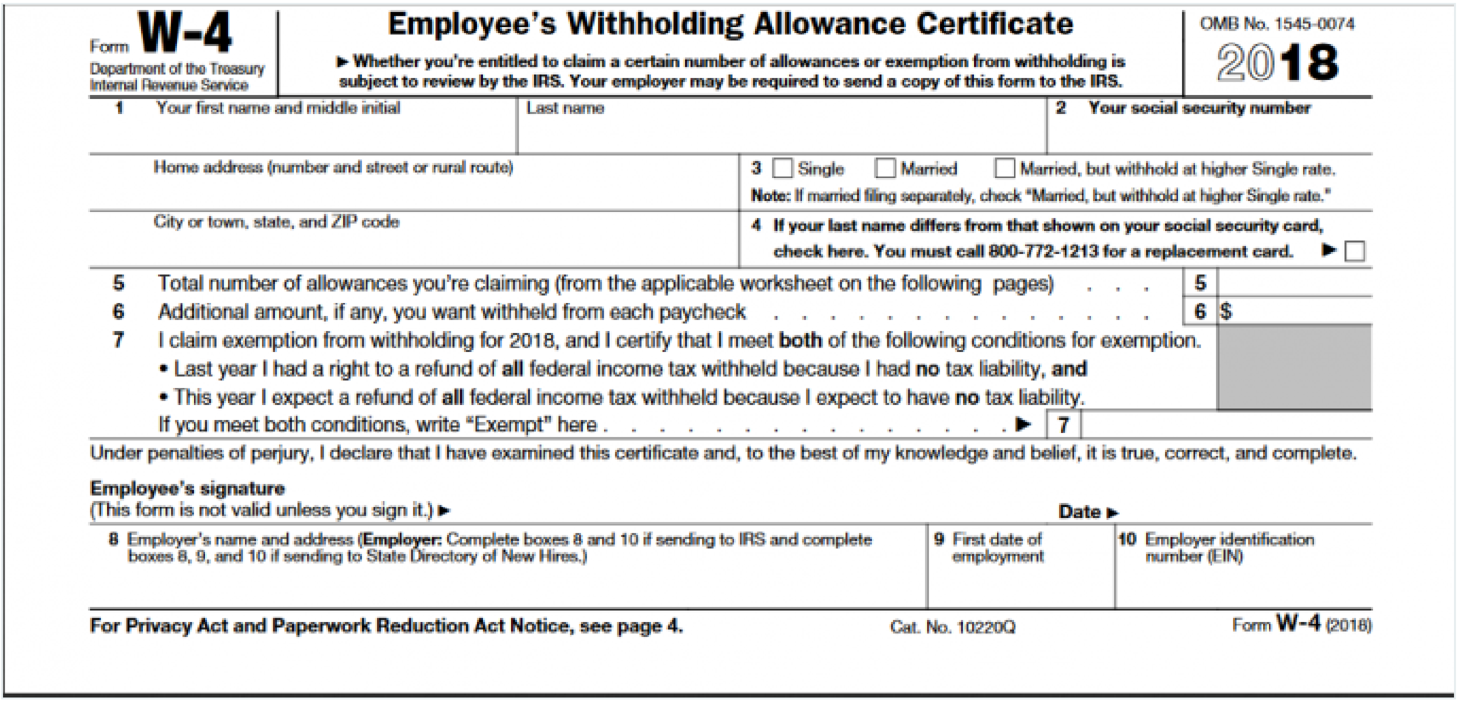
Jul. 31, 2018



Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ Whether you're entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

OMB No. 1545-0074

2018

1 Your first name and middle initial | Last name | 2 Your social security number

Home address (number and street or rural route) | 3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note: If married filing separately, check "Married, but withhold at higher Single rate."

City or town, state, and ZIP code | 4 If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. ▶ ☐

5 Total number of allowances you're claiming (from the applicable worksheet on the following pages) . . . 5

6 Additional amount, if any, you want withheld from each paycheck . . . 6 $

7 I claim exemption from withholding for 2018, and I certify that I meet **both** of the following conditions for exemption.
• Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability, **and**
• This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability.
If you meet both conditions, write "Exempt" here . . . ▶ 7

Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(This form is not valid unless you sign it.) ▶ **Date ▶**

8 Employer's name and address (**Employer:** Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.) | 9 First date of employment | 10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220Q Form **W-4** (2018)

If your clients haven't done so yet, they should review their income tax withholding and, when appropriate, make adjustments. Notably, the new Tax Cuts and Jobs Act (TCJA) lowers tax rates for individuals, effective for 2018 through 2025, so clients may presume they are overwithholding if they haven't updated their W-4s this year.

But it's not quite as simple as that. In fact, due to the combination of several key provisions included in the new tax law, some clients may be surprised to learn that they are actually underwithholding!

Generally, employees can satisfy their annual tax obligations by having enough tax withheld from their paychecks during the course of the year. However, if you fail to pay enough tax, including both withholding and any quarterly installments, the IRS

- **Personal exemptions,** including exemptions previously allowed for dependents like your children and other qualified relatives, are eliminated.

- **The child tax credit (CTC)**, which was previously set at $1,000, is doubled to $2,000, of which $1,400 is refundable. The TCJA also creates a nonrefundable $500 credit for non-children dependents.

- **The deduction for state and local taxes (SALT)** is limited to $10,000 per year. This applies to any combination of (1) state and local property taxes and (2) state and local income taxes or sales taxes. Previously, SALT payments were fully deductible by itemizers.

- **The deduction for mortgage interest** is reduced for some taxpayers. The deduction for new acquisition debt is now limited to interest paid on the first $750,000 of debt, down from $1 million, while the deduction for interest paid on home equity debt, previously limited to interest paid on the first $100,000 of debt, is generally eliminated.

- **The deduction for miscellaneous expenses** — including tax and investment advisory fees and unreimbursed employee business expenses –is eliminated.

As a result of these changes, taxpayers who have itemized for years or even decades may be opting for the standard deduction this year. This could be reflected in a need to increase withholding. For example, someone in a high-tax state like California or New York who has previously claimed large deductions for SALT payments may realize a reduced tax benefit if they itemize or no tax benefit at all from these payments if they claim the standard deduction. Plus, the loss of personal exemptions can be significant.

Conversely, for some taxpayers, the higher standard deduction and CTC may more

Practical suggestion: Give your clients a helping hand. Reach out to let them know you can provide assistance with their withholding calculations.