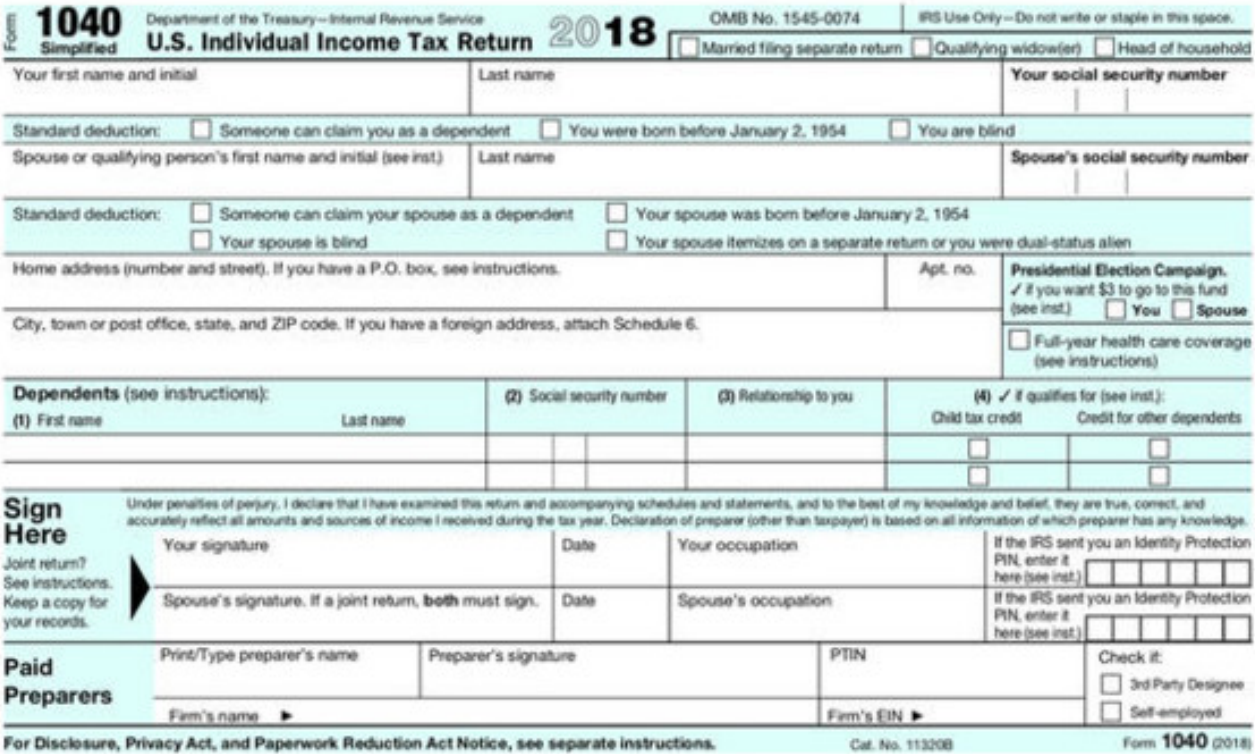


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wages to 22 percent.

Isaac M. O'Bannon • May. 06, 2019



The image shows the top portion of Form 1040 Simplified, U.S. Individual Income Tax Return for 2018. The form is from the Department of the Treasury—Internal Revenue Service. It includes fields for the taxpayer's name, social security number, and marital status. There are also sections for a spouse or qualifying person, including their name, social security number, and marital status. The form includes checkboxes for standard deduction, dependent status, and other tax-related options. A section for dependents is also visible, with columns for first name, last name, social security number, relationship, and whether they qualify for child tax credit or credit for other dependents. The bottom section is for the preparer, including fields for the preparer's name, signature, date, occupation, PTIN, and EIN. There are also checkboxes for the preparer's role (3rd Party Designee or Self-employed) and a section for the taxpayer's signature and date. The form number 1040 (2018) is printed at the bottom right.

The Internal Revenue Service is reminding small businesses that recent tax reform legislation lowered the backup withholding tax rate to 24 percent and the withholding rate that usually applies to bonuses and other supplemental wages to 22 percent. The agency is also recommending that employers encourage their employees to check their withholding using the IRS [Withholding Calculator](#).

This year, National Small Business Week is May 5-11. For more than 50 years, the week has recognized the important contributions of America's entrepreneurs and small business owners.

# Backup withholding

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reported interest or dividend income on their federal income tax return.

[Publication 1281, Backup Withholding for Missing and Incorrect Name/TINS \(PDF\)](#), now available on IRS.gov, has information designed to help any payer required to impose backup withholding on their payees. Among other things, the publication features answers to 34 frequently asked questions.

When backup withholding applies, payers must backup withhold tax from payments not otherwise subject to withholding. This includes most payments reported on [Form 1099](#), such as interest, dividends, payments to independent contractors and payment card and third-party network transactions.

Payees may be subject to backup withholding if they:

- Fail to give a TIN,
- Give an incorrect TIN,
- Supply a TIN in an improper manner,
- Under-report interest or dividends on their income tax return, or
- Fail to certify that they're not subject to backup withholding for under-reporting of interest and dividends.

To stop backup withholding, the payee must correct any issues that caused it. They may need to give the correct TIN to the payer, resolve the under-reported income and pay the amount owed, or file a missing return. The [Backup Withholding page](#), [Publication 505, Tax Withholding and Estimated Tax](#), and [Publication 1335, Backup Withholding Questions and Answers \(PDF\)](#), have more information.

Payers report any backup withholding on [Form 945, Annual Return of Withheld Federal Income Tax](#). The 2019 form is due Jan. 31, 2020. For more information about depositing backup withholding taxes, see [Publication 15, Employer's Tax Guide](#).

Payers also show any backup withholding on information returns, such as Forms

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## Paycheck Checkup

Small businesses can help their employees by encouraging them to do a Paycheck Checkup. In addition, any business owner, such as a corporate officer, who receives wages from their business should also consider checking their withholding. The same goes for anyone who has a sideline business but continues to receive wages from another employer.

Though a good idea any year, checking withholding is especially important this year given the number of changes brought about by the TCJA.

The easiest way to do a Paycheck Checkup is to use the Withholding Calculator on IRS.gov. Then, based on its recommendations, fill out and submit a new [Form W-4](#). In many instances, this means claiming fewer withholding allowances or having an extra flat-dollar amount withheld from an employee's pay.

Taxpayers who itemized in the past who now choose to take advantage of the increased standard deduction, as well as two-wage-earner households, employees with non-wage sources of income and those with complex tax situations, are at most risk of having too little tax withheld from their pay. Boosting tax withholding as early as possible in 2019 is the best way to head off another tax-time surprise next year. Anyone who had an important life change, such as getting married, getting divorced, buying a home or having a baby should also consider a Paycheck Checkup.

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