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website at www.irs.gov, you can find a withholding calculator that does all the grunt work for you. All you have to do is go through several simple steps and enter the ...

Jun. 17, 2015



Undoubtedly, some of your clients who are employees received sizeable refunds this past tax return filing season, while others were hit with underpayment penalties on top of additional tax owed to the IRS. To avoid the same situation in 2015, you might adjust your income tax withholding on the Form W-4 (Employee's Withholding Allowance Certificate) you submit to your employer. But how much more or less should you withhold?

The IRS is making easier for taxpayers to calculate the optimal amount. On its

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- Employees whose situations are only approximated by the worksheets on the paper W-4 (e.g., anyone with concurrent jobs or couples in which both are employed; those entitled to file as Head of Household; and those with several children eligible for the Child Tax Credit); and
- Employees with non-wage income in excess of their adjustments and deductions, who would prefer to have tax on that income withheld from their paychecks rather than make periodic separate payments through the estimated tax procedures.

But the IRS adds this caveat: If you think you will be subject to the alternative minimum tax (AMT), self-employment tax or other taxes, you will probably achieve more accurate withholding results by following the instructions in Pub. 505 (Tax Withholding and Estimated Tax).

We went through the process using a hypothetical example of a joint filer with \$150,000 of salary, two dependents and annual itemized deductions of \$10,000. The taxpayer currently has income tax of \$1,500 withheld from each monthly paycheck (i.e., \$9,000 halfway through 2015).

Based on the information entered into the calculator (and absent other factors), the anticipated income tax for 2015 is \$23,938. If the hypothetical taxpayer doesn't change the current withholding arrangement, \$18,000 in income tax will be withheld for 2015, leaving \$5,938 due when the 2015 tax return is filed. To meet the anticipated tax liability of \$23,938, the taxpayer should change the existing withholding arrangement by claiming 0 allowances and adding an extra amount of \$1,469 for the balance.

This easy-to-use tool provides a bulls-eye number to target at any point during the year. Clients should be informed of its availability.

Of course, some clients may prefer to overwithhold during the year and benefit from

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