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Dec. 08, 2020

Form **W-4**

Department of the Treasury
Internal Revenue Service

Employee's Withholding Certificate

▶ Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.
▶ Give Form W-4 to your employer.
▶ Your withholding is subject to review by the IRS.

OMB No. 1545-0074

2020

Step 1: Enter Personal Information	(a) First name and middle initial	Last name	(b) Social security number
	Address		▶ Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to www.ssa.gov .
	City or town, state, and ZIP code		
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly (or Qualifying widow(er)) <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.

Step 2: Multiple Jobs or Spouse Works	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do only one of the following. (a) Use the estimator at www.irs.gov/W4App for most accurate withholding for this step (and Steps 3–4); or (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below for roughly accurate withholding; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld ▶ <input type="checkbox"/>
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Many American taxpayers haven't caught up with the latest changes in the redesigned W-4, which the IRS released a year ago, putting them at risk for an unexpected tax bill next April. In fact, nearly two in five (37 percent) American taxpayers admit they aren't even familiar with the W-4, including 11 percent who say they've never heard of it.

That's according to new research conducted by The Harris Poll on behalf of the American Institute of CPAs (AICPA). "There have been a number of changes to withholdings over the past three years and we've found that many Americans haven't been making adjustments accordingly. Inaccurate withholding can lead to an unpleasant surprise come Tax Day," said Gregory J. Anton, CPA, CGMA, chairman of the AICPA's National CPA Financial Literacy Commission. "And with many individuals in a financially precarious position, it's more important than ever to

understand how withholding impacts your cash flow and overall financial

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Nearly One Year Later, Few Americans Have Updated W-4

The W-4 is an important form that employees fill out to accurately calculate how much federal tax to withhold from each paycheck. The new Form W-4 no longer includes allowances and makes it easier to coordinate across multiple jobs and with a spouse. Unfortunately, research shows that many American taxpayers aren't keeping up with these changes, which directly impact their personal finances. Only 1 in 4 tax-filing Americans (26 percent) have updated their withholding since the IRS released the new redesigned W-4 in late 2019. And only 16 percent made changes to their form after the Tax Cuts & Jobs Act (TCJA) revised withholding tables in early 2018. While 14 percent last updated their withholding before either of these major changes. Most concerning, nearly half (45 percent) of tax-filing Americans have no idea when they last updated their withholding.

When 2018 taxes were filed in 2019, many news articles noted that Americans were confused when they didn't receive a tax refund. TCJA lowered tax rates across income levels helping to reduce Americans' income tax burden but because it also updated withholding tables, many didn't get the refunds they had come to expect.

"People tend to overlook a few extra bucks in their take-home pay, but they sure notice when they get a \$300 tax bill instead of a \$1,500 refund," added Anton. "This underscores why understanding and updating your tax withholding is so important—it directly impacts your budget."

Inaction Can Lead to an Unpleasant Tax Surprise

There is no IRS requirement for American taxpayers to submit the new W-4, unless requesting a change to their withholding or starting a new job. However, it may be advantageous to revisit the new W-4 to make sure current withholding is accurate,

especially if one's personal or financial situation has changed, such as taking on a

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the last three years, nearly 3 in 10 tax-filing Americans (28 percent) claim to have received an unusually large tax bill or tax refund.

I Owe How Much?!

If you don't deduct enough money from your paycheck, you can receive an unpleasant tax bill, or worse a penalty. In the past three years, 2 in 10 tax-filing Americans (19 percent) claim to have received an unusually large tax bill. Of these, 2 in 5 (39 percent) were extremely or very surprised. Those receiving a large bill commonly were concerned (34 percent), frustrated (33 percent), disappointed (32 percent) and angry (28 percent).

According to IRS 2019 tax-year [filing statistics](#) through late July 2020, the average tax bill for American taxpayers who owe money at the time of filing is \$5,527*. Yet, two in five tax-filing Americans (39 percent) aren't confident they could pay a \$3,000 tax bill on short notice without using a credit card or borrowing money.

Whether you are going to have a bill, or a refund come Tax Day 2021— you should know now. To get an early estimate on what taxes you will owe based on your current withholding and what you earn, the IRS has a free [Tax Withholding Estimator](#). By using this tool, Americans can take their recent pay stubs and get a general idea of whether to expect a refund or plan for a bill. Then, they can take this information and decide if adjusting their withholding makes sense for their financial plan.

“Tax Day doesn't have to be a surprise. With better planning, a tax bill can be predictable,” said Kim Hardy, CPA, member of the AICPA's National CPA Financial Literacy Commission. “If you haven't done so already, the end of the year is a great opportunity to review your current withholding and start 2021 off right. If you know

ahead of time that you will owe when you file, you put a plan in place and budget

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percent), and relieved (27 percent).

“A tax refund is often seen as a windfall, but there is an opportunity cost to over-paying and having the IRS hold your money interest-free. If you recently got a large tax refund, I recommend taking 15 minutes to update your W-4 so the amount you withhold roughly equals the taxes you'll owe. This will allow you to have more money on hand throughout the year that can be better spent staying current on bills, paying down debt or being invested,” added Hardy.

Statement	American taxpayers who correctly identified the statement	American taxpayers who incorrectly identified the statement or said they didn't know.
W-4 forms can only be updated once a year. (FALSE , you can update throughout the year)	33%	67%
If spouses are both employed, only one spouse needs to complete a W-4 form. (FALSE , each employed spouse should complete a W-4)	48%	52%
Filling the W-4 form out incorrectly can trigger an IRS penalty for underpayment. (TRUE)	56%	44%
The IRS has a free online tool to help Americans estimate their W-4 amount. (TRUE)	62%	38%
Updates to the W-4 form are recommended for certain life changes, like having a child. (TRUE)	68%	32%
The W-4 form should be coordinated on all jobs for accurate tax withholding. (TRUE)	72%	28%

[Click for larger image.](#)

Tax Surprise Coming!

There are specific people who need to review and make changes to their withholding as well as plan for Tax Day 2021. There are many factors that make this tax year unique, including the large number of Americans who received unemployment assistance for the first time, which the federal government taxes as ordinary income. For complicated tax situations, [work with a CPA](#).

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*IRS Mid-July Filing Season Statistics by AGI, divided B87 (Amount of Tax due at time of filing: \$140,153,288) by B86 (number of returns: 25,356,715) multiplied by 1,000 (money amounts on the table are in thousands of dollars) to get \$5,527.

This survey was conducted online within the United States between October 1-5, 2020 among 2028 adults (aged 18 and over) by The Harris Poll on behalf of AICPA. Responses are for the 1,636 who have filed income taxes in the past 3 years. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact jonathan.lynch@aicpa-cima.com.

About 360

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