

W-4 mid-year checkup

Reviewing your estimates

Making an adjustment to how much tax is withheld from your income or increasing your estimated tax payments can help you avoid an unwelcome tax bill and potential penalties at the end of the year.

With all the tax changes that went into effect in 2018, it's important to review your tax withholding at least once a year.

Opting to not review your withholding for the year and leaving it the way it is could be a mistake. We had several clients not review their withholding and estimated tax payments for any necessary changes. Even though their income was about the same as the previous year, they ended up owing the IRS instead of getting their usual refund.

The culprit was two-fold. Not only did clients lose some deductions resulting from the tax reform changes, but also their withholding went down (even though they didn't change anything) because the IRS changed the withholding tables and the way it's calculated.

We can prevent problems like this by adjusting how much federal and state tax is withheld from your wages, pensions, unemployment benefits, and Social Security benefits. The goal is to pay enough tax that you avoid a balance due and still get a refund when we file your taxes for next year.

The same thought process holds true for self-employed freelancers. Self-employed persons should adjust their estimated tax payments, especially if their business income is increasing.

Signs you may need to adjust your withholding:

- You owed tax last year
- You receive income where no tax is withheld, such as investments, stock gains, or rental income
- You have multiple jobs
- You are recently married or divorced
- You bought a house
- You have dependents
- You itemize your deductions
- You're getting a raise