TAX YEAR
2023

Withholding — Filling Out Form W-4

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2023 Federal Income Tax Withholding

The tax withholding tables are designed to work with Form W-4, *Employee's Withholding Certificate,* which you give your employer.

To help determine your withholding, you can also use the withholding estimator at www.irs.gov/tax-withholding-estimator. Consider using this estimator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income.

Form W-4, Employee's Withholding Certificate

Starting a new job can be exciting, but it can also be stressful. One of the documents you will likely see on your first day of work is IRS Form W-4, which tells your employer how much income tax to withhold from your paycheck. This handout provides some basic information about what Form W-4 is, how to fill it out properly, and what is done with the information when the form is handed in to the employer.

Purpose of Form W-4

Every new employee is required by law to fill out Form W-4 so the employer can withhold the proper amount of federal income tax from the employee's pay.

Form W-4 is not filed with the IRS, but is kept by the employer. A new Form W-4 may be filed with the employer at any time during the year should the employee's situation change. It is recommended that employees review their withholding once a year.

The employer may also use the information from IRS Form W-4 to determine how much to withhold for state income tax. Note that withholding for Social Security and Medicare tax (FICA) is a set percentage and is not affected by what you enter on Form W-4.

How Withholding is Computed

When preparing payroll, the employer refers to an IRS chart that states an amount of tax to withhold based on whether the employee is single or married, how much the employee earned during the pay period, and other information submitted on Form W-4.

The amounts on the withholding chart are an attempt to withhold the proper amount so the employees will have paid their tax liability through withholding during the year.

If tax liability on the return is more than the amount withheld, there will be a balance due. If the underpayment is substantial, penalties may apply.

If tax liability on the return is less than the amount withheld, the difference is refunded to the taxpayer. There is no penalty for having too much tax withheld. Keep in mind that big refunds are generally viewed as a bad tax planning strategy, since you are giving an interest-free loan to the government and getting your own money back the following year.

Form W-4 Redesigned

The Form W-4 has been redesigned by the IRS, and you no longer adjust your tax withholding using allowances. Instead, you provide your employer with information to increase or decrease your tax withholding, and adjust the amount of wages subject to withholding. The form has five steps, along with worksheets and instructions, to help ensure accurate tax withholding.

Step 1: Enter Personal Information. Complete Step 1 with your personal information, and check the appropriate box for your marital status. Your marital status is used to determine your tax rates and compute your withholding.