

Abstract: Everyone loves a juicy tax refund, but why wait to receive the money? By adjusting one's withholding and/or estimated tax payments, a taxpayer can enjoy that money throughout the year. This article lists some circumstances under which adjustments are particularly advisable and explains how to make changes.

To get an “early” refund, adjust your withholding

Each year, millions of taxpayers claim an income tax refund. To be sure, receiving a payment from the IRS for a few thousand dollars can be a pleasant influx of cash. But it means you were essentially giving the government an interest-free loan for close to a year, which isn't the best use of your money.

Fortunately, there's a way to begin collecting your 2022 refund now: You can review the amounts you're having withheld and/or what estimated tax payments you're making and adjust them to keep more money in your pocket during the year.

Choosing to adjust

It's particularly important to check your withholding and/or estimated tax payments if:

- You received an especially large 2021 refund,
- You've gotten married, divorced or added a dependent,
- You've bought a home,
- You've started or lost a job, or
- Your investment income has changed significantly.

Even if you haven't encountered any major life changes during the past year, tax law changes may affect withholding levels, making it worthwhile to double-check your withholding or estimated tax payments.

Making a change

You can modify your withholding at any time during the year, or even more than once within a year. To do so, simply submit a new Form W-4 to your employer. Changes typically will go into effect several weeks after the new Form W-4 is submitted. For estimated tax payments, you can adjust each time quarterly payments are due.

While reducing withholding or estimated tax payments will, indeed, put more money in your pocket now, you also need to be careful that you don't reduce them too much. If you don't pay enough tax throughout the year on a timely basis, you could end up owing interest and penalties when you file your return, even if you pay your outstanding tax liability by the April 2023 deadline.

Getting help

One reason to consider adjusting your withholding is the passage of any new tax legislation. For example, after the Tax Cuts and Jobs Act of 2017 was enacted, the IRS needed to revise withholding tables to account for the increased standard deductions, suspension of personal exemptions, and changes in tax rates and brackets. If you'd like help determining your withholding or estimated tax payments for the rest of the year, please contact us.

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