

Abstract: Many people are distressed to find they owe money when they file their federal tax returns. When that happens, taxpayers might want to change their withholding so that it doesn't happen again the following year. Another reason to consider adjusting withholding is when a taxpayer gets a big refund, which essentially means the government got a tax-free loan of the taxpayer's money.

Is your withholding adequate?

If you were distressed to find you owed money when you filed your last federal tax return, you might want to change your withholding so that this doesn't happen again. You might even want to adjust your withholding if you got a big refund, because you're essentially giving the government a tax-free loan of your money.

Adjust if necessary

Taxpayers should periodically review their tax situations and adjust withholding, if appropriate. The IRS has a withholding calculator to assist you in conducting a paycheck checkup. The calculator reflects tax law changes in areas such as available itemized deductions, the child credit, the dependent credit and the repeal of dependent exemptions. The calculator can be accessed here: <https://bit.ly/33iBcZV>

Life changes

In addition to tax law changes, the IRS recommends that you perform a checkup if you:

- Adjusted your withholding last year, especially in the middle or later part of the year,
- Owed additional tax when you filed your 2022 return,
- Received a refund that was smaller or larger than expected,
- Got married or divorced,
- Had a child or adopted one,
- Purchased a home, or
- Had changes in income.

To modify your withholding at any time during the year, simply submit a new Form W-4 to your employer. Changes typically go into effect several weeks after a new Form W-4 is submitted. (Estimated tax payments can be adjusted each time you make an estimated payment to the IRS.)

Plan ahead

There's still time to remedy any shortfalls to minimize taxes due for 2023, as well as any penalties and interest. Contact us if you have any questions or need assistance.

© 2023