



Tax Withholding — Do You Need to Adjust Yours?

The federal income tax is a pay-as-you-go tax. Taxpayers pay the tax as they earn or receive income during the year. You can avoid a surprise at tax time by checking your withholding amounts from your wages, pensions and/or annuities.

The amount withheld depends on the amount of income being taxed and three types of information communicated to your employer and/or pension administrator:

- Filing Status – either the single rate or the lower married rate (Married taxpayers can elect the status “Married, but withhold at higher single rate”)
- Number of withholding allowances claimed – each allowance claimed reduces the amount withheld
- Additional withholding – you can request an additional amount to be withheld from each check

Note: You must specify a filing status and number of withholding allowances on form W-4. You cannot specify only a dollar amount of withholding or a percentage.

The IRS recommends that everyone do a withholding checkup as early as possible in 2019. Though especially important for anyone who owed on their 2018 taxes, it's also important for anyone whose refund was larger or smaller than expected. By changing your withholding now, you are more likely to get the refund you want or reduce your balance due next year.

In addition, you should always have us check your withholding when a major life event occurs or when your income changes significantly. Check your withholding when:

- The tax law changes
- Your prior year tax return results were unacceptable
- Life changes occur:
 - Lifestyle – marriage, divorce, changes in dependents (birth or adoption of a child, children graduating from college, parents moving in, etc) home purchase, retirement, Chapter 11 bankruptcy, etc.
 - Wage income – you or your spouse start or stop working or start or stop a second job.
 - You have significant taxable income not subject to withholding – interest, dividends, capital gains, self-employment income and IRA distributions
 - Itemized deductions or tax credit changes – medical expenses, taxes, mortgage interest, charitable deductions, dependent care expenses, education credits, child tax credits, other dependent credits, earned income tax credit

Be sure to contact us to help you check your withholding. We'll need year-to-date information from all your sources of income as well as information regarding any changes in your situation from 2018. Our normal hourly billing rates apply to our withholding checkups.

Contact Us:

100 BridgePoint Dr
Suite 120
South St Paul, MN 55075

Office: 651-455-4621
FAX: 651-552-9641

www.nelsoncpasmn.com

