

Take a Second Look at Your W-4

It's always a good idea to periodically review the Form W-4 you have on file with your employer. Form W-4 is the form that determines how much income tax your employer will withhold from your paychecks. Changes in your personal situation, such as a wedding, divorce, or new baby, can affect your tax liability for the year. Thus, you need to review Form W-4 to make sure that your employer is not withholding too much or too little.

A Form W-4 review may be particularly appropriate right now. There have been recent changes in the tax law that may also affect your 2009 tax bill. You may want to adjust your withholding up or down to bring it closer to your revised tax liability.

For example, you probably noticed that your paycheck took a jump in April. That jump was a reflection of the new "Making Work Pay" tax credit enacted by Congress earlier this year. However, for some taxpayers, their paychecks may have taken too big a jump. Because of the way the new withholding tables work, these taxpayers may be getting a bigger reduction in withholding than the new tax credit entitles them to. This means that they are being underwithheld and may owe tax when they file their 2009 returns next year. Taxpayers who may be underwithheld include working couples and individuals who work at two jobs. If you are being underwithheld you can file a new W-4 to adjust your withholding upwards.

Other taxpayers may be entitled to new tax breaks for 2009 and may want to reduce their withholding by claiming additional withholding allowances on Form W-4. For example, if you buy a new automobile this year, you may be entitled to a deduction for the sales tax you pay on your purchase. Or if you buy a new home, you may be entitled to an up-to-\$8,000 tax credit on the purchase. You can get an immediate benefit from these new breaks by filing a revised Form W-4 that adjusts your withholding downwards.

If you would like to discuss your 2009 tax situation or would like assistance in reviewing your Form W-4, please contact us.

Useful Links:

[Publication 919, *How Do I Adjust My Tax Withholding*](#)

[Online withholding calculator](#)