



Is your employees' withholding still wrong?

Even employees who used the new W-4 may still have the wrong amount of FIT withheld from paychecks.

And who will they blame when they file their 1040s and get a notice from the IRS? Their employer, their accountant? — or both.

Three major causes:

1. The employee did not submit the new W-4. FITW based on the old W-4 is likely to be wrong if an employee has two jobs or files married filing jointly and the employee's spouse also works.
2. The employee submitted the new W- but did not complete it properly. Here, too, the problem is likely to be that the worker has two jobs or is married filing jointly and the employee's spouse also works.
3. The employee's income or circumstances change during the year due to a birth, adoption, marriage, or home purchase, or a significant change in income.

Solution for causes 1 and 2: These employees need to complete and submit a new W-4 and make sure to check "Step 2: *Multiple Jobs or Spouse Works*—and use the IRS Withholding Estimator or the Multiple Jobs Worksheet. The new W-4 also urges such employees to check the box indicating there are two jobs total.

Reminder: This box must be checked on each W-4 filed—i.e., your employee's W-4 and that employee's spouse's W-4.

If either your employee or your employee's spouse fails to check the box in Step 2, it can result in substantial underwithholding.

The same applies if your employee holds a second job—the employee must check the box in Step 2 on the W-4 for *both jobs*.

Catch 22. Checking the box on both W-4s works only if the second job or spouse's job has similar pay. Otherwise, there can be significant overwithholding. [*Tax Notes Today*]