

# W-4 Guide

Before 2020, filling out a W-4 was a pretty straightforward proposition. Determine how many allowances you qualified for, pencil in if you want some additional money withheld from your check, and off you go. To many people's surprise, a new W-4 was ushered into use in January 2020, and it's... different. But is the new W-4 much more challenging to complete? Let's check it out.

First, why is there a new W-4? Thanks to the 2017 Tax Cuts and Jobs Act, the old W-4 was on borrowed time. Allowances are out, and a bigger emphasis is placed on determining household income and what deductions you anticipate claiming. Do you have kids or other dependents? The new W-4 takes them into account, too. If the new form is completed accurately and your finances play out the way you expect them to for the year, your withholdings should be a bit more accurate each paycheck. In turn, this means you'll have a smaller refund or a smaller bill come tax filing time the following year.

Now, let's look at each section of the new W-4 and figure out what needs to happen.

## Step 1:

<b>Form W-4</b> Department of the Treasury Internal Revenue Service	<b>Employee's Withholding Certificate</b> Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.		OMB No. 1545-0074 <b>2023</b>
<b>Step 1:</b> <b>Enter</b> <b>Personal</b> <b>Information</b>	(a) First name and middle initial Address City or town, state, and ZIP code	Last name Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .	(b) Social security number
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)		

Step 1 is simple enough. Fill out your personal information like before and choose what filing status you anticipate using on your tax return (box c). No tricks or games are being played here (or anywhere else on the form, for that matter).



Please note that Head of Household is now an option on the new form. If you're still at the same job as last year, you technically aren't required to fill out the new W4. However, if you file as Head of Household, you may want to consider it to get your withholdings more in line with your tax liability.

After Step 1, but before Step 2, we see this little message:

**Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5.** See page 2 for more information on each step, who can claim exemption from withholding, when to use the online estimator, and privacy.

That's right! It's possible that you'll only need to complete Step 1 and sign your name in Step 5 to complete your W-4. I suggest you look at Steps 2–4 just to make sure they don't apply to you, but it's possible that this W-4 will take you 30 seconds to complete.

On to Step 2.

## Step 2:

### Step 2: Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do **only one** of the following.

- (a) Reserved for future use.
- (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; **or**
- (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate . . . . . ☐

**TIP:** If you have self-employment income, see page 2.

**Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs.** Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

As the guide says, you only need to worry about Step 2 if you have two or more jobs or you're married to a spouse who works (and you file taxes jointly). This step will attempt to capture a reasonably accurate prediction of your household income for the year and then estimate withholding. Three options are given to help you during this step, and I think there is a clear winner. Option (a) directs you to the online estimator the IRS has created. It's been refreshed and is a bit more user-friendly than past versions. It takes a few minutes to complete (you may need last year's taxes), but it is by far the most accurate option of the three presented.



Option (b) is on Page 3 of the W-4. You'll need to use the tables found on Page 4, as well, if you choose this step. It's pretty simple, but I had a hard time getting a result that matched up with what I got on the estimator (and what I calculated by hand). I'm not sure what was off, but it's entirely possible my struggles were due to user error. Finally, Option (c) should only be used if both jobs have similar pay. It will be the least precise of the three options but the easiest to fill out. If the two incomes in your house aren't all that similar, you should certainly use Option (a) or (b).

If you are concerned about privacy, for instance, you don't want your employer to know about a self-employment side gig, the estimator in option (a) is your best choice. Using the online estimator will provide you with an answer without needing to mark up anything else on the new W-4 that could make your employer suspicious. An even more private method would be to pay estimated quarterly taxes and ignore your additional self-employment income on this form.

We then get this interesting little warning. Don't overlook it because it's important:

**Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs.** Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

Only complete Steps 3 through 4(b) for the highest paying job in the household. Otherwise, you'll run the risk of not having enough tax withheld overall and owing money next filing season.

## Step 3:

<b>Step 3:</b>	If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):		
<b>Claim</b>	Multiply the number of qualifying children under age 17 by \$2,000	\$	
<b>Dependent</b>	Multiply the number of other dependents by \$500	\$	
<b>and Other</b>	Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here		
<b>Credits</b>			<b>3</b> \$

If you've got dependents, kids, or otherwise, claim them here. You'll do a little math, but it's a simple calculation.



What you may have questions on is, “what is a dependent” and “do my kids qualify?” I’ll direct you to IRS Publication 972 for the finer details on dependents, but here are the criteria for you to determine if your kids qualify:

- **Relationship:** The child is your son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendent of any of them (eg. your grandchild, niece, or nephew).
- **Age:** The child is under the age of 17 at the end of 2023.
- **Support:** The child did not provide over half of their own support for 2023. The child cannot file a joint return for this year, either.
- **Residency:** The child lived with you for more than half of 2023.
- **Dependent:** The child is claimed as a dependent on your tax return.
- **Citizenship:** The child was a US citizen, US national, or resident alien during 2023.

You can also use Step 3 to allow for other credits, such as the Education Tax Credit and Foreign Tax Credit. Any amounts listed in Step 3 will increase your paycheck each pay period, but decrease the chance of receiving a refund.

Note that if you have a child during the year that you should absolutely update your W-4 to reflect that event as soon as possible.

## Step 4:

<b>Step 4 (optional):</b> <b>Other Adjustments</b>	<b>(a) Other income (not from jobs).</b> If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . .	<b>4(a)</b> \$
	<b>(b) Deductions.</b> If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . .	<b>4(b)</b> \$
	<b>(c) Extra withholding.</b> Enter any additional tax you want withheld each pay period . .	<b>4(c)</b> \$

You’ve nearly made it! Step 4 (a) is a place for you to account for other taxable income you expect to receive during the year that isn’t taxed at the time you receive it. The examples provided are interest, dividends, and retirement income.



The instructions on Page 3 curiously say not to include self-employment income in this box, but then go on to tell you about what you should do if you include self-employment income. Choosing to include self-employment income is your decision. Remember if you choose not to that you may have a larger tax liability due when you file each spring.

Step 4(b) covers deductions. Many of us will use the standard deduction when we file our taxes. However, if you still itemize, you can use the simple worksheet on Page 3 of the W-4 to account for that here.

Finally, Step 4(c) will be used for extra withholding. If you use the online estimator or the worksheet on Page 3 (back in Step 2), you may get a result that tells you to put an amount in box 4(c). This amount will be withheld each pay period for the remainder of the year.

## Step 5:

<b>Step 5: Sign Here</b>	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.		
	<b>Employee's signature</b> (This form is not valid unless you sign it.)		<b>Date</b>
<b>Employers Only</b>	Employer's name and address	First date of employment	Employer identification number (EIN)
For Privacy Act and Paperwork Reduction Act Notice, see page 3.		Cat. No. 10220Q	Form <b>W-4</b> (2023)

You did it! Sign and date the form, turn it into HR, and then allow a paycheck or two to pass before expecting to see your changes take effect.

The new W-4 is certainly different, but I believe it will be more accurate in the long run. Be patient while filling it out, and tax time might be a less stressful event for you next year.

