Implementing the TCJA: So, how’s it going?

The Tax Cuts and Jobs Act took effect Jan. 1. By now, you should have put the 2018 percentage method withholding tables into effect. But there’s a lot that’s still not yet done—the 2018 W-4 form, which probably won’t be released until much later in the year and the withholding calculator, which the IRS promised would be available by the end of February.

Our friends at the American Payroll Association recently surveyed its members on the TCJA. The findings give us a somewhat clearer picture of how the law is working out in reality and what’s bothering employees. Here are highlights of the survey results.

Click here to read the full survey results.

Congratulations! Payroll departments coped well

Almost 66% of respondents process payroll in-house.

The IRS wanted you to put the 2018 withholding tables into effect no later than Feb. 15. *You did good:* The results of the survey show that the vast majority of respondents—31.75%—put the tables into effect earlier than that, during the last week in January. The second largest cohort—27.2%—put the tables into effect even earlier, during the week of Jan. 22.

Continuing the good news for Payroll departments, a combined total of almost 84% of respondents said that implementing the TCJA didn’t put an additional burden on year-end compliance. That’s a remarkable achievement, since the TCJA was enacted during the third week in December, with the payroll provisions becoming effective on Jan. 1.

What’s bugging employees

“Input from our survey made it clear employees are worried they’ll be negatively affected by the new law once tax time 2019 rolls around,” stated Michael O’Toole, Esq., senior director of publications, education and government relations for the APA. “It will be important for employees to quickly review their withholdings once the new Form W-4 is available to make sure they are not underwithholding on their federal taxes.”

The APA tabulated employees’ frequently asked questions regarding the TCJA. The most common ones::

- How will this affect my income taxes next year?
- Will my taxes go up or down?
- Will I need to complete a new Form W-4 to make sure I’m not being underwithheld?
- Do I need to change my exemptions accordingly to match my new tax liability?
- Why is my net pay increasing?

What to tell employees now

It’s probably a safe bet that your employees have approached you already, or are thinking about these questions, too. Here’s what you can tell them:

Your net pay has increased due to changes in the personal income tax rates, which became effective Jan. 1. As a result, the Form W-4, which we have on file for you, may no longer reflect your tax liability.

It's important to understand that there is no such thing as a typical taxpayer. Your tax liability depends, in part, on your marital status, whether you work another job, whether your spouse works, how many dependents you have and your investment income.

All employees are encouraged to use the IRS' withholding calculator or talk to their tax professionals to determine the proper level of withholding for the remainder of the year. If necessary, you can refile your W-4 with us to adjust your withholding or pay quarterly estimated taxes. However, we cannot withhold your estimated tax payments; you must complete Form 1040-ES and pay the IRS directly.

Please feel free to call or email the Payroll Department if you have any questions.

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