

I used the IRS' withholding calculator. It did not go well

I am not a patient person. I am not good at math. Neither, I suspect, are most employees.

No doubt that will disappoint acting IRS Commissioner David Kautter, who commented recently that he'd like it if 200 million employees used the new IRS [withholding calculator](#).

In an effort to assuage the acting commissioner—and because we've been writing about the IRS' withholding calculator for some time—we at Payroll Today thought it would be a good idea if someone tried it out. Guess who drew the short straw?

Wanted: One guinea pig

To use the calculator, the IRS recommends that you have handy your most recent pay stub and your 2017 tax returns.

Uh oh.

For this little experiment, I decided to behave like a typical employee. So right off the bat, I ignored the advice about having my most recent pay stub in front of me. Payroll pros know that employees mostly don't look at their pay stubs at all.

And that's your first heads up: If your employees decide to try using the withholding calculator, be prepared for queries about their pay.

As for 2017 tax forms, most taxpayers don't even open the folders their accountants give them. We can just make it all up, right?

And that's your second heads up: You might want to tell employees that their W-2s contain their annual earnings and taxes withheld. However, if they have capital gains, take tax credits or they are two-income households, you can't help them.

Screen-by-screen encounters

The calculator is five screens long.

1. **General information.** The first screen was easy. Phew! I know my filing status and that I can't be claimed as a dependent on someone else's return. I indicated that I had one job and that I contributed into 401(k) and cafeteria plans.
2. **Credits.** You're asked to estimate the child and dependent care credit, the child tax credit, the earned income tax credit and other unnamed credits. The problem is that most employees won't know about this until they complete their 1040s next year. A wrong entry here can lead to underwithholding.

Credits, therefore, are the first buzz saw. I put 0 for everything, because, well, that's true. But employees may be eligible for credits, so they'll have more work to do than I did.

3. **Income and withholding.** This is the meat of the calculator and it's a mine field. I was obliged to enter whole dollar figures, because the cents are already filled in as .00 and you can't change that. It took me several tries to figure that out.

The calculator defaults to ongoing employment. It asks employees to enter the dates when they first held this job and when the job will end in 2018. The boxes are then auto-filled with Jan. 1 and Dec. 31. All this question is really asking is whether employees will be employed for the entire year.

Employees are going to run into problems with these entries. Among the troublesome issues:

- It's not clear whether married employees should enter the total wages both spouses will earn.
 - Employees probably don't know whether they'll receive a bonus this year.
 - Year-to-date withholding is easy enough, but withholding for the last pay period could vary significantly, if employees receive a bonus or taxable fringe benefit, or they take an unpaid leave of absence.
 - Employees may not know the difference between a biweekly pay period and a semimonthly period. All they know is that they're paid twice a month.
 - Employees can estimate their self-employment income, but they can't make an entry for self-employment taxes, which may skew the results.
 - Employees can estimate their nonwage income, like dividends and interest, but there's no entry for estimated capital gains taxes.
 - The amount of 2018 adjustments, such as contributions to deductible IRAs. Since this can't be known right now, employees will probably rely on their 2017 tax returns.
4. **Deductions.** Finally, an easy screen! I chose the standard deduction, as most taxpayers will in 2018, because the Tax Cuts and Jobs Act suspended most Schedule A deductions through 2025.
 5. **Results.** I reached the fifth screen and—Voila!—I didn't stress out all that much, except for the .00 thing at the income and withholding screen. But the salient question is whether the results are accurate. For me, they were not, since I was told that my tax liability would be \$0, and I know that's not true. Apparently, incorrect results have been common. Employees, therefore, should be cautious of their results.

As for Payroll, the old advice is the best advice: You can change employees' withholding if they provide you with an updated W-4 form, but you can't give them tax advice. Tell them to visit an accountant, instead.

2019 W-4 update

The second, and final, draft of the 2019 W-4 and instructions should be released sometime in August, according to Victor Aledo, chief of individual and specialty forms and publications in the IRS' Wage and Investment Division. The final form and instructions should be released in November.

Aledo also said that employers could begin programming their payroll systems based on the August release.