

# Is the IRS' new withholding estimator better than the old withholding calculator?

This may be a loaded question, since the withholding calculator was abysmally difficult to use. But we're going to give the estimator a whirl, since it's the primary tool you can recommend to employees for checking their withholding. Using the [estimator](#) will become even more important, as the IRS transitions to the [new W-4](#) and [the new withholding methods](#).

## What the IRS says

The IRS says the estimator is easier to use. First it's got a progress tracker. Yay! You can look at this one of two ways: Yes, it can track your progress toward tax equilibrium (neither owing nor being owed a refund next year) or, it can track how far you've gotten before you just give up and do what you've always done—just guess at your tax liability and hope you haven't underpaid your taxes this year.

Next, it says the estimator is mobile-friendly. But we're hard pressed to believe anyone would feel compelled to check their tax withholding on their smartphones when there's so much cooler stuff to do on your phone, like playing Candy Crush or solitaire.

It's also taking feedback. So you can direct any impolitic remarks to it, not your spouse.

Finally, the IRS says the estimator uses plain language to improve comprehension. Plain language and taxes rarely go together (take our work for that), so we were intrigued.

Like [last year](#), yours truly was tapped to try out the estimator (once a guinea pig, always the guinea pig). And just like last year, I'm going to pretend I'm a typical employee.

## About You—Step 1 of the tracker

This was the easiest part of the calculator and is the easiest part of the estimator. It consists of five data inputs.

- **1 of 5: Filing Status.** Easy peasy, and it was last year, too. The estimator does have brief explanations of head of household status and qualifying widower, which were lacking in the calculator. These statuses aren't self-explanatory, like single or married filing jointly, so the explanation gets a thumbs up in our book.
- **2 of 5: Dependents.** I'm not planning on claiming any dependents on my return, so I check the No box.
- **3 of 5: Income:** Let's break the estimator down to what it's really asking—Am I an employee whose wages are subject to income tax withholding? It could have been more direct, so it gets a thumbs down from us for this. I check the Yes box. A pop up box then asks me how many jobs I have.
- **4 of 5: Pension:** Nope, I won't be getting any pension income this year.
- **5 of 5: Other:** It wants to know whether I have other sources of income (e.g., Social Security benefits, dividends), how old I am and whether I'm blind. Answers to these questions can impact withholding. Similar inquiries were missing from the calculator so this step gets another thumbs up.

## **Income & Withholding—Step 2 of the tracker**

This is where the calculator ran into trouble and the estimator is only a slight improvement. On the upside, the estimator does account for working couples. On the downside, employees are still going to need to gather their pay stubs to complete entries about withholding from their most current check, year-to-date withholding and pretax deductions. All of these entries must still be in whole dollar amounts.

Of course, the basis of withholding is the pay period. And the same issue arises. Employees know they're paid twice a month. The subtle difference between biweekly vs. semimonthly pay periods probably eludes them. There is an explanation box, but the different pay periods aren't explained. This gets a thumbs down from us.

## **Adjustments to Income—Step 3 of the tracker**

This was *Deductions* in the calculator, but since most deductions have been wiped out, we're left with adjustments. I have no adjustments, so onto Step 4.

## **Deductions from Income—Step 4 of the tracker**

I check the standard deduction, because, I, like most taxpayers, won't be itemizing anything on Schedule A.

## **Tax Credits—Step 5 of the tracker**

I don't have any tax credits, because I don't have any tax dependents. Sorry, you're on your own, here.

## **Your Results—Step 6 of the tracker**

The final step. Unlike last year, these results seem to be more accurate.

The estimator makes specific withholding recommendations for each job and each spouse and clearly explains what you should do next. You have options to adjust your results—to get your tax balance close to zero, or to have more tax withheld if you want a refund. Either way, you have to complete a new W-4.

## **And speaking of unexpected tax bills**

The IRS has finally thrown in the towel on the tax underpayment penalty for 2018 taxes. It announced it's automatically waiving the underpayment penalty for the more than 400,000 eligible taxpayers who filed 2018 1040s but didn't claim the waiver.

*Reminder:* The automatic waiver applies if you paid at least 80% of your total tax liability through withholding or quarterly estimated tax payments, but didn't claim the waiver when you filed your 2018 1040.

## **In our estimation Payroll is the best**

Payroll pros work under extremely tight deadlines, with no room for errors. Next week is National Payroll Week. That's the week when everyone in your office should say Thank you.

Since we'll be Las Vegas, at Business Management Daily's HR Summit, we'll miss the celebrations. So here's any early Thank you from all of us at Payroll Today.