

5 ways to help employees with IRS withholding estimates

Employers rely on [Form W-4](#), also known as the Employee Withholding Certificate, to calculate the correct amount of federal income tax to take out of a worker's paycheck each period. Responsibility for inputting information on the form, however, falls on the individual employee. Unfortunately, many employees may not fully understand this form and its implications.

While employers should not act as tax advisors, employees often have questions about their W-4s. In this case, they benefit from an HR department that can provide general guidance and direction. Additionally, HR should be able to share proper resources that address a majority of concerns. After all, getting this right the first time saves everyone time and a headache.

Here are five ways employers can help employees with their W-4 without overstepping bounds.

Explain the purpose of the document

New employees fill out a W-4 as part of the onboarding process. Confronted with an abundance of paperwork, many may not take the time to read it carefully and fill it in thoughtfully.

Stress that a complete, accurate W-4 is in their best interest. Answers affect how much money gets withheld per paycheck. Taking out too little money could result in an unpleasant surprise come tax season. Taking out too much money produces paychecks that are smaller than they need to be. This is undesirable for people who could use more cash right now instead of a large refund later.

Allow time for W-4 completion

Withholding allowances are a thing of the past. Nowadays, income tax withholding is based on a worker's expected filing status and standard deduction for the year. An employee also may choose to have the Child Tax Credit and other tax benefits reflected in his withholding amount for the year. This ideally brings them as close as possible to neither owing money nor receiving a refund when filing taxes for the year. With all these considerations, filling out a W-4 can be complicated.

A single person with only one job and no dependents likely can fill out the form very quickly. Married individuals with a spouse who also works, people who hold more than one job, and those whose total income includes gigs or other forms of self-employment face a longer process.

If possible, let your employees take the W-4 home. (Just make sure they return it in a timely fashion!) This allows time to consult with one's spouse, verify numbers rather than guess, and read through IRS instructions carefully. Another option is to allow ample time at work for employees to read through the form and its instructions on one day. Then, tell new employees to come prepared to do the actual filling out the next day.

Draw attention to the Tax Withholding Estimator on the IRS website

For many people, the instructions and worksheets that come with the W-4 prove sufficient for handling households with more than one income. The form also includes space to factor in other adjustments, such as retirement income, dividends, expected deduction claims other than the standard one, and voluntary extra withholding.

The IRS also operates an online [Tax Withholding Estimator](#). Users input information into this free tool to obtain withholding recommendations for their circumstances. Note that the estimator does not ask for identifiers such as name or social security number, nor does it save or record input. This tool can be valuable for employees who perhaps aren't as familiar with taxes and withholdings.

Encourage a paycheck checkup

Chances are that many of your employees filled out a W-4 at the start of their employment with your company. It's equally likely they haven't since thought about the form. That's fine — people do not need to complete a new one each year.

However, HR periodically should remind workers that they need to fill out a new W-4 when a major life event occurs. Marriage, the birth of a baby, child adoption, divorce, or the death of a spouse all can influence tax obligations and withholding.

Even staff members without such a circumstance might benefit from running their current information through the Tax Withholding Estimator. Checking one's withholding helps prevent having too little tax withheld and facing an undesirable tax bill or penalty. Or, if legally entitled to have less tax withheld up front, someone may appreciate larger paychecks now rather than a bigger refund later.

To generate interest in a paycheck checkup, consider playing this short [IRS Tax Withholding Estimator video](#) at a general meeting or sending the link for it out in an email.

Provide a list of resources

If new employees or current ones come to HR with questions regarding the W-4, it is good to have places to send them for additional information.

Your list might include:

- [How to Use the IRS Withholding Estimator for Paycheck Checkup](#) (a step-by-step YouTube video put out by the IRS).
- [Publication 505, Tax Withholding and Estimated Tax](#) (put out by the IRS and especially good for people with more complex tax situations).
- [Tax Withholding Estimator FAQs](#) (a list of answers to common questions, available on the IRS website).

Remind them, too, that their tax preparer or personal financial advisor can provide more tailored guidance.

Additional Resource: [5 common red flags that could get your business audited by the IRS.](#)