

# W-4 Basics

The number you report on a W-4 will ultimately determine your take home pay and your tax refund. Don't write down any number. Take the few extra minutes to really assess your situation and fill in the W-4 accordingly. By doing so you're less likely find yourself in a difficult financial situation.

## Steps to Filling out a W-4

1. Know the number of personal and dependency exemptions you are claiming on your tax return.
2. Based on the number from step 1, use that number to help determine your number of allowances.

The allowances you should claim while filling out a W-4 if you are single will differ from the allowances you claim if you are married, have kids or whatever the case may be.

### Claiming Zero Allowances

- The maximum amount of taxes is withheld. Meaning, when it comes time to file your tax return you will most likely receive a refund.
- If you are claimed as a dependent on someone else's tax return, you should claim zero allowances.
- Claiming zero allowances means less take home pay, but a bigger tax refund during tax season.

### Claiming One Allowance (best option if you are single with one job)

- If you are single and have one job, by claiming one allowance will most likely result in a refund when you file your taxes.

### Claiming Two Allowances

- If you are single, claiming two allowances will get you close to your tax liability but may result in tax due when filing your taxes.
- If you are single and work more than one job, you can claim one allowance at each job or two allowances at one job and zero at the other.
- If you are married, you should claim two allowances

### Claiming Three Allowances

- If you are married and have one child, you should claim three allowances.

## **Additional Allowances**

- If you file as head of household you can claim additional allowances
- If you had at least \$1,900 of child or dependent care expenses that you plan on claiming credit
- If you are eligible to claim the Child Tax Credit

## **Can I Fill out a New W-4 Form?**

Yes, employees can submit a new W-4 form to their employer at any time during their employment. If you recently got a second job, had a baby, tied the knot or maybe untied the knot (divorce), then you will want to change your W-4 withholding.

## **What You Should Know About Tax Withholding**

In order to understand how allowances work, it might help to understand the concept of withholding. Whenever you get paid, a certain amount of income tax is automatically withdrawn (or withheld) from your check and turned over to the IRS.

Tax withholding becomes an issue whenever you're filling out a W-4 form at the start of a new job or whenever you've experienced a significant event in your life that affects your tax-filing status, like the adoption of a child or a marriage.

## **What Are Allowances?**

Withholding allowances directly affect how much money is withheld from your pay. Claiming more allowances will lower the amount of income tax that's taken out of your check. Conversely, if the total number of allowances you're claiming is zero, that means you'll have the most income tax withheld from your take-home pay.

Allowances matter. If you don't claim enough of them and you have too much money sent to the government, you'll end up with a tax refund. But if you claim too many allowances, you'll probably owe the IRS some money at the end of the tax year and possibly pay a penalty for your mistake.

The value of a single allowance and how it impacts your salary is based on your tax bracket and how frequently you receive a paycheck. The exact amount of tax that your employer is expected to withhold also takes into account whether you're filing as a single person, a married person or the head of your household.