

## The new W-4 and the Lakeshore Payroll system

As part of the changes passed by Congress regarding income taxes, the IRS has developed a new W-4 form. This is the form you fill out when you start to work for a company that details how you want your income tax deductions calculated—how many exemptions, etc.

This document is a guide to implement those changes in your Lakeshore Payroll system.

First of all, it is important to note:

**YOU DO NOT HAVE TO FILL OUT A NEW W-4 IF YOU HAVE ONE ON FILE**

Situations that require a new W-4 are:

- 1) You are a new hire
- 2) You need to make major changes in your filing status such as going from Married to Single after a divorce or the death of a spouse or going from Single to Married after you marry.
- 3) You want to take advantage of the new “Head of Household” filing status that has been added in addition to “Single/Married Filing Separately” and “Married Filing Jointly”.
- 4) You want to change anything about your withholding like extra amount to be withheld.

If you have a simple life with one job and no significant other sources of income, you can just indicate your filing status and sign the form.

If you and your spouse both work, you have significant other income like rental income or Social Security income, then you will need to fill out some of the other steps. You will also need to fill out step 3 if you want to take the new Child Credit monthly during the year instead of waiting until you file your taxes at the end of the year.

Step 1 is your basic information like name and your filing status. There are 3 additional steps for those more complicated situations:

### **Step 2 - Multiple Jobs or Spouse works**

If you are married and filing jointly with your spouse who also works **OR** you have a second job that requires a W-4, there is a box that you can check if the income from the two jobs are roughly the same. Otherwise, you will need to continue to the other

steps.

### Step 3 - Claim dependants

If you want to claim your child tax credit during the year to lower your withholding, you will need to fill out this step. There are limitations on the maximum income or \$200,000 for Single and Head of Household or \$400,000 if you are filing jointly.

Multiply the number of children under 17 by \$2,000 and any other dependents by \$500. This is your estimated annual credit. Note that children must be 17 or less AT THE END OF THE YEAR. In the year they turn 18, they will switch to a Dependent. A dependent can also be someone else who lives in your house and you pay the majority of their expenses, like an elderly parent.

If you want to wait until the end of the year and receive the credits when you file your taxes, you can skip this step.

### Step 4 - Other Adjustments

This section is for other miscellaneous adjustments you may need to make. Some examples:

- Interest and dividends (of significance, not the pittance you get from the bank)
- Retirement income such as from Social Security or required distributions from an IRA if you are older than 70-1/2
- Income from rental property or self-employment
- Deductions in excess of standard deduction. Note that the standard deduction has been raised so you may not need to worry about this any longer. If you choose to enter a number here, it would be a negative number.
- Extra withholding because of complicated tax situation.

Add the amount from Step 3 to the total of amounts in Step 4. This should be the annual total of your adjustments.

Then divide that number by the number of pay periods per year to get the value of your extra withholding. See the chart below to determine the number of pay periods / year.

Monthly	Semimonthly	Biweekly	Weekly
12	24	26	52

This is the amount extra that you would need to withhold. Negative amounts are allowed. As you can imagine, it can get complicated fast.

We suggest that unless you have a very straightforward situation that you go to the following IRS web site for a calculator app.

[www.irs.gov/W4app](http://www.irs.gov/W4app)

Check with your accountant or tax professional if you have a situation not covered by the IRS app.