



COMPLIANCE BULLETIN

HIGHLIGHTS

- The IRS has released updated tax withholding tables that employers must use in 2018.
- The new tables reflect changes made by the tax reform law enacted in December 2017.
- Employers do **not** need to obtain new Forms W-4 from employees.
- The IRS will issue more withholding guidance in 2018.

IMPORTANT DATES

Jan. 9, 2018

The IRS issued new income-tax withholding tables for 2018.

Feb. 15, 2018

Deadline for employers to use the new tables.

IRS Issues New Tables for 2018 Tax Withholding

OVERVIEW

Starting Feb. 15, 2018, employers must use new tables to determine how much income tax to withhold from their employees' paychecks. The Internal Revenue Service (IRS) issued the required new tables, in [Notice 1036](#), on Jan. 9, 2018. The notice contains early release copies of the "Percentage Method Tables for Income Tax Withholding" that will appear in IRS [Publication 15](#) ("Employer's Tax Guide").

According to the IRS, Notice 1036 is the first in a series of steps that the agency will take to help employers improve the accuracy of their tax withholdings under changes made by a new tax reform law, the [Tax Cuts and Jobs Act](#), enacted on Dec. 22, 2017.

ACTION STEPS

Employers should become familiar with the new tables and begin using them as soon as possible, but **no later than Feb. 15, 2018**. Employers should also monitor the IRS's Notice 1036 [website](#) for future guidance regarding income-tax withholding under the Tax Cuts and Jobs Act.

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Background

The Tax Cuts and Jobs Act made several changes to the tax code that will affect individual taxpayers in 2018. For example, the new law:

- ✓ Adjusted tax rates and tax brackets;
- ✓ Increased the standard deduction; and
- ✓ Repealed personal exemptions.

The IRS issued the new tax withholding tables in Notice 1036 to reflect these changes and to help employers avoid withholding too much or too little from their employees' paychecks for income taxes in 2018. A withholding table shows payroll service providers and employers how much tax to withhold based on each employee's wages, marital status and number of withholding allowances claimed on a Form W-4. Notice 1036 also includes information about Social Security and Medicare rates for 2018.

New Tables Work with Existing Forms W-4 for 2018

The new tables in Notice 1036 are designed to work with the Forms W-4 that employees have already filed with their employers to claim withholding allowances for 2018. Thus, employers do **not** need to obtain updated Forms W-4 from their employees to start using the new tables.

For 2019, however, the IRS is revising Form W-4 to more fully reflect the new law and to help individuals determine whether to adjust their withholding. Once released, the revised Form W-4 can be used in 2018 by employees starting a new job and by existing employees who wish to update their withholding in response to the new law or changes in their personal circumstances. Until the revised Form W-4 is released, employees and employers should continue to use the 2017 Form W-4.

Future Guidance

In addition to the Form W-4 updates in progress, the IRS is currently revising its online [tax-withholding calculator](#) to help individuals determine their withholding under the new tax law. The IRS anticipates that the new calculator will be available by the end of February, 2018, and encourages taxpayers to use it to adjust their withholding as soon as it is released. According to the IRS, the Form W-4 and calculator revisions will reflect additional changes made by the new tax law, including:

- ✓ Changes in available itemized deductions;
- ✓ The new dependent credit; and
- ✓ Increases in the child tax credit;
- ✓ The repeal of dependent exemptions.

The IRS also indicated that it will include more detailed guidance on tax withholding, along with the information in Notice 1036, in Publication 15 and related publications in early 2018.