



COMPLIANCE BULLETIN

HIGHLIGHTS

- The IRS has issued three new tools for 2018 tax withholding.
- The updates reflect changes made by a tax reform law enacted in 2017.
- Employers must use the new tables but do **not** have to use the new Form W-4 for 2018.
- An updated calculator allows taxpayers to check withholdings.

IMPORTANT DATES

February 15, 2018

Deadline for employers to use the new 2018 withholding tables.

February 28, 2018

The IRS issued a new withholding calculator for 2018 and an updated Form W-4 for 2019.

IRS Issues New Tools for 2018 Tax Withholding

OVERVIEW

As of 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 new tables are also available in IRS [Publication 15](#).

In addition, the IRS issued a new [Form W-4](#) and a new [withholding calculator](#) on Feb. 28, 2018.

The updated tools aim to help employers improve the accuracy of their tax withholdings under changes made by the tax reform law, the [Tax Cuts and Jobs Act](#), which was enacted on Dec. 22, 2017.

ACTION STEPS

Employers should already be using the new tables for 2018. Employers are **not** required to use the new Form W-4 for 2018 but may use it for any 2018 withholding changes. Employers will be required to use the new version of Form W-4 for 2019.

Taxpayers can use the updated tax withholding calculator to determine whether they should make any changes to their 2018 withholdings.

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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;
- ✓ Repealed certain exemptions;
- ✓ Changed itemized deductions;
- ✓ Increased the child tax credit; and
- ✓ Created a new dependent credit.

To reflect these changes, the IRS has issued three new tax withholding tools. The tools aim to help employers avoid withholding too much or too little from their employees' paychecks for income taxes in 2018 and 2019.

For 2018, New Tables Work with Existing Forms W-4

The IRS' new [withholding tables](#) 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 use the new tables. The deadline for employers to begin using the new tables was Feb. 15, 2018.

New Form W-4 for 2019 May Be Used in 2018

For 2019, the IRS has revised Form W-4 to more fully reflect the new tax law and to help employees determine appropriate withholding amounts. Released on Feb. 28, 2018, the [Form W-4](#) can be used in 2018 if an employee starts a new job or if existing employees wish to update their 2018 withholding in response to the new law or changes in their personal circumstances.

New Calculator

The IRS' updated [withholding calculator](#) allows employees to perform a quick "paycheck checkup" to help them determine whether they should make changes to their 2018 withholdings. While the IRS encourages all taxpayers to use the new calculator, employees who have simple financial situations are not likely to require any revisions for 2018. Those with more complicated situations, however, are strongly encouraged to check their 2018 withholdings using the calculator. These include employees who itemized their deductions in 2017 or have:

- ✓ Two-income households;
- ✓ Two or more jobs at the same time;
- ✓ Children who claim credits; or
- ✓ High incomes.

Employees with even more complex situations (such as those who owe self-employment tax or have capital gains) may need to use [Publication 505](#) instead of the withholding calculator. The IRS expects to release an updated version of this publication in the near future.