

Filling out a W-4 just got more complicated

Many people were shocked this year when, instead of receiving a refund, they owed money to the IRS.

To prevent this disappointment next year, the IRS is introducing a new W-4 form to reflect the new tax law to ensure that the tax amount withheld from every paycheck is more accurate.

While this form is expected to help employees avoid another tax refund downer, that doesn't mean that filling it out will be easy. In fact, it's likely to be as complicated as filling out a 1040 tax form, requiring employees to provide information like:

- Non-wage income, such as interest and dividends
- Itemized and other deductions
- Income tax credits expected for the tax year
- For employees with multiple jobs, the form also requires including the total annual taxable wages for all of the jobs

For employees and employers alike, getting this form completed correctly will be a challenge. The old form, although relatively easy and quick to fill out, was not always accurate for calculating tax withholding amounts for each paycheck. This issue became glaringly apparent when the new withholding tables were introduced as part of the new tax law last year, and as a result many people ended up with an additional tax bill that they hadn't anticipated.

Filling out the form will be like doing your taxes — twice! Fortunately, there are ways that employers and



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employees can mitigate the stress of filling out the form, from educating themselves on what's needed, to filling it out, to engaging an expert to make the soon-to-be cumbersome process of completing a W-4 go more smoothly.

What can employers do?

Employers will need to start providing the new form to employees later this year. Although it's mandatory for new employees to fill out, it's optional for employers to make the form available to current employees.

We recommend employers ask all their employees to fill out the new form.

Yes, it'll be cumbersome and complicated, but doing so will ensure correct withholding amounts for all employees, no matter how long they've been at the company.

It is in the employer's best interest to do this as the last thing that the employer wants is an employee workforce that owes money to the IRS as a result of under withholding.

Additionally, employers should clearly communicate what's needed from employees so they fill out the new form correctly. Employers should consider making sure that the payroll and accounting staff are versed on the new form and its requirements so that they can help

employees complete the forms. Smaller companies should consider asking their CPA to consult with the employees on the proper completion of the forms.

What should employees know?

Although employers will provide the form, employees are responsible for the proper completion of the form. Even though the accuracy of the form will be practically infallible if it's filled out correctly, completing it won't be easy.

New and current employees should work closely with their company's payroll and accounting department to ensure the new form is correctly completed for more accurate paycheck tax withholding amounts. For those with more complicated situations — like employees with a self-employed spouse — a CPA would be valuable in ensuring accuracy and lessening the burden of navigating the form alone.

Although the new W-4 form will help avoid tax sticker shock next year, being educated on the form and improving communication are key in making the transition as smooth as possible for everyone.

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