

2018 New Tax Code: You Likely Need to Reexamine Your Withholding and Update your W-4

By Annie Fischer

Accurate Federal and State withholding from your paycheck is meant to get individuals closer to their true tax liability at the end of the year. The new tax code made significant changes to calculations for income tax liability. Just because the tax brackets lowered for 2018, does not necessarily mean that you will get a bigger refund at tax time. You likely need to reexamine your withholding to ensure it is appropriate and you do not face any surprises when you file your 2018 tax return.

For many taxpayers, if you leave your W-4 unchanged, you will have seen a bump in your paycheck this year but, it is possible that your withholding could be off, and you could owe more taxes than usual or get a lesser refund than you are used to. In an ideal situation, us tax experts at Kaup's Financial believe it is best if you owe no taxes at all and get a small refund. This refers to time value of money, meaning if you are getting more of your money throughout the year rather than giving Uncle Sam an interest-free loan through extra withholding, you have access to those extra funds throughout the year to use for expenses or to invest and earn interest. But, it is your own personal preference as to whether you want to have your withholding close to your tax liability or have extra withheld knowing you will always have a refund at tax time.

So, bottom line, check your paychecks and adjust your withholding sooner than later. Below is a link to calculator you can use to check to see if your withholding is on track:

<https://apps.irs.gov/app/withholdingcalculator/>

Thanks,

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Income Tax Preparer

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