

Filling Out Your W-4

The W-4 is a tax form that gives the government information about your family so it knows how much tax to take out of your paycheck. You have tax taken out for social security and medicare taxes. Since everyone is eligible for these programs when they get older, you pay taxes to support retirees now but in the future you will get back what you put in when you receive your benefits. This is a very simple explanation of a system which also takes into account family size and income when determining how much to tax you.

That is where the W-4 form is important because it tells the government how much to take out or “withhold” from your paycheck, based on how many people are in your family. If you have too much withheld, you miss out on the money that you’re earning and only get it back once a year in your tax refund. If you have too little withheld, you could end up owing the government money to cover your future benefits.

Guidelines:

- On the form, you claim reduce the amount that is taken out, or “withheld” by the government. You do this by “claiming exemptions” for yourself, your spouse, and any dependents (people who depend on you for more than half of their financial support). The more “exemptions” you claim, the less is “withheld,” or taken out, of your paycheck. You can also claim “allowances” (meaning that less is taken out) for certain deductions (which adjust the amount of income that is counted for your taxes) or credits (which reduce your tax) such as the Earned Income Credit or the child and dependent care credit.
- If you don't file a W-4 with your employer they are required to withhold taxes at the highest rate, meaning that you get the least money in each paycheck.
- You should fill out a new W-4 form whenever your family situation changes in a way that will affect your taxes. You must file a new W-4 within ten days of getting divorced, having a dependent leave your home or having a child leave your home.
- A child is no longer considered a child on the W-4 if they are older than 19 and not a student or older than 24 and a full-time student.
- If you're are married and plan to turn in your taxes together, you and your spouse figure out your W-4 together, based on your combined incomes. You cannot both take the same “exemptions” and “allowances” at the same time. You may configure them however you like on the form though, with one spouse taking all of them and one taking none or some other combination.
- If you file separately from your spouse, do your W-4 forms based on your income. You still cannot claim the same “exemptions” and “allowances” as your spouse.
- You don't have to take all the “exemptions” and “allowances” available to you. The more you take, the less money will be taken out of your paycheck.
- If you don't have much taken out of your paycheck, you risk owing taxes because you didn't have enough taken out. It's a personal choice whether you want to take more or less. If you choose to withhold more you will get a bigger refund. If you choose to withhold less you will have more money in each paycheck.

- You should be able to resubmit a new W-4 form to your employer at any time during the year.
- When employers give you the W-4 form to fill out, insist that you keep the whole page, not just the bottom half, so that you can read the instructions at the top, which you will help you fill out the form.