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## Itemizers encouraged to check withholding in light of TCJA changes

### IR 2018-120

In a news release, IRS has encouraged taxpayers who have typically itemized their deductions to use the withholding calculator on IRS's website to perform a "payroll checkup," noting that changes made by the Tax Cuts and Jobs Act (TCJA; [P.L. 115-97](#) , 12/22/2017) may warrant an adjustment.

*Changes made by the TCJA.* The TCJA made a number of law changes, effective for tax years beginning after 2017 and before 2026, that affect the amount of itemized deductions that can be claimed and whether taxpayers choose to itemize or claim the standard deduction.

These changes include:

- nearly doubling standard deductions;
- limiting the deductions for state and local taxes;
- limiting the deduction for home mortgage interest in certain cases; and
- eliminating deductions for employee business expenses, tax preparation fees and investment expenses, including investment management fees, safe deposit box fees and investment expenses from pass-through entities.

In light of these changes, some individuals who formerly itemized may now find it more beneficial to take the standard deduction, which could affect how much a taxpayer needs to have their employer withhold from their pay. Also, even those who continue to itemize deductions should check their withholding because of TCJA changes. IRS warned that having too little tax withheld could result in an unexpected

tax bill or penalty at tax time in 2019, and also noted that taxpayers who have too much tax withheld may prefer to receive more in their paychecks instead of in the form of a tax refund.

*IRS encourages payroll checkup.* IRS is urging taxpayers to perform a "paycheck checkup" and to do so as early as possible so that if a withholding amount adjustment is necessary, there's more time for withholding to take place evenly throughout the year. IRS cautioned that waiting means there are fewer pay periods to make the tax changes - which could have a bigger impact on each paycheck.

*Using the withholding calculator.* When taxpayers use the withholding calculator (available at [www.irs.gov/individuals/irs-withholding-calculator](http://www.irs.gov/individuals/irs-withholding-calculator) ), they can indicate whether they are taking the standard deduction or itemizing their deductions. If they are itemizing, they'll enter estimates of their deductions. The withholding calculator applies the new law to these amounts when figuring the user's withholding.

IRS encourages taxpayers to have their 2017 tax return when using the withholding calculator, as well as their most recent pay stubs. IRS also noted that if a taxpayer's personal circumstances change during the year, they should re-calculate their withholding at that time.

*Adjusting withholding.* Employees who need to complete a new Form W-4, Employee's Withholding Allowance Certificate, should submit it to their employers as soon as possible. Employees with a change in personal circumstances that reduce the number of withholding allowances must submit a new Form W-4 with corrected withholding allowances to their employer within 10 days of the change.

**References:** For withholding on wages, see [FTC 2d/FIN ¶ H-4220](#) ; [United States Tax Reporter ¶ 34,014](#) .