

US Taxpayers May Have a Nasty Surprise in the 2018 Filing Season

The United States Internal Revenue Service is warning taxpayers to evaluate their current withholding rates and their proper estimated payments for 2018, or else they may have a nasty surprise when they prepare their 2018 returns and find out they owe a substantial amount of tax and penalties. Why? Congressional auditors say about 30 million people — 21% of US taxpayers — will have withheld too little from their pay checks under government tables keyed to the new tax law. The tax reform legislation that passed in December of 2017, known as The Tax Cuts and Jobs Act, made major changes to the tax law including increasing the standard

deduction, removing personal exemptions, increasing the Child Tax Credit, limiting or discontinuing certain deductions (such as the state and local tax deduction), and changing tax rates and brackets. These can significantly impact one's expected tax refund or balance due on filed returns going forward.

It is important that taxpayers have their accountant or tax adviser review their current tax situation to see if they are withholding the correct amount of tax in light of these tax law changes or if they need to make greater estimated tax payments to address the tax that may be due and avoid underpayment penalties. The IRS provides a 'withholding calculator' for this purpose and Publication 505 'Tax Withholding and Estimated Tax' to assist with these issues to avoid potential problems. The calculator applies the new law to a taxpayer's specific financial situation. Taxpayers who are W-2 employees should contact their human resources department to change their withholding through their payroll service by completing



Laurie B. Kazenoff

a new W-4 if necessary. If a taxpayer is self-employed or does not receive a W-2, they may still need to revise the estimated payments they are making every quarter. Publication 505's worksheets can assist taxpayers who have more complicated issues where they may owe self-employment tax, are subject to the alternative minimum tax, or have dividend income, interest income, capital gains, dependents' unearned income, or rents and royalties.

GGI member firm
Moritt Hock & Hamroff LLP
Law Firm Services
Garden City (NY), New York (NY),
USA
T: +1 516 873 2000
W: www.morithock.com
Laurie B. Kazenoff
E: lkazenoff@morithock.com