

New Changes to Form W-4 - Transcript

Tom Mullooly: In episode 180, we talk about getting your withholding right and this will work for everyone, so stick around.

Welcome to the Mullooly Asset Show. I'm your host Tom Mullooly, and this is episode number 180. Thanks for tuning in. The IRS has actually done something good that they've revamped the W-4 form, so there's no excuses now like there were last year about getting your taxes, getting the withholding amounts right. It's really set up in Goldilocks fashion, not too much withholding, not too little withholding. It's just right if you fill it out.

Now for years, employers withheld taxes on your paycheck based on the premise that this was your only job. That's not true anymore in 2020. The other side of the coin though is that employers may discover that some of their employees are now moonlighting and they have a second job. Quite frankly, my opinion, it's none of their business, whether you're working a second job or not.

New employees who are hired in 2020 have to use this new W-4 form. If you were hired before 2020, your employer can still rely on old information that you filled out when you were hired. The site to go to it's IRS.gov. Just simply, once you get there, you can type out slash W-4 app. I got the impression that they want to make this into an app. That doesn't make any sense to me, but W-4 app. It will walk you through step-by-step, this questionnaire and it's very, very accurate. I went through it yesterday.

So the IRS has a tool that in my opinion, can really help you out in terms of determining if you're withholding the right amount. I own shares of an S Corporation, so I want you to know that if you have a W-2 kind of job and you get a regular paycheck, this will, I can say confidently, that you're going to have the right amount withheld.

But if you own shares of an S corporation or an LLC or some other type of organization, this will also work for you. I own shares, as I mentioned before of an S Corp. I was able to estimate my withholding into a very, very close range. I found out that I was only just a couple of dollars off.

Now, if you recall, there was a lot of chatter a year ago in spring of 2019. A lot of folks were getting their taxes done with the new changes to the tax law and they discovered that they were under withheld and they didn't have enough and they actually got more in their paycheck each pay period, but they weren't getting those big refunds that they used to get. There are no excuses now.

If you want to have a large, call it a bonus. It's not really a good way to do it but if you want to get a large lump sum in the spring when you get your taxes done, plan it. If you want to have just the right amount withheld so you don't owe anything or you're pretty close to having a small balance due or a small balance coming back to you, you can work that out.

I have to say kudos to the IRS for putting this a new questionnaire together. It's excellent. It's really well done.