



Do you need to adjust your federal income tax withholding amount?

With over half the year already gone, now is a good time to check to see if you are on track to have about the right amount of federal income tax withheld from your paychecks for 2014. The problem with not having the correct amount of taxes withheld for the year is that:

If your taxes are significantly under withheld for the year, you risk being hit with a nondeductible IRS interest rate penalty.

If your taxes are significantly over withheld for the year, you are basically making an interest-free loan to the government when you could be putting that money to work for you.

Neither situation is good. The simplest way to correct your withholding is by turning in a new Form W-4 ("Employee's Withholding Allowance Certificate") to your employer. Taking this action now will adjust the amount of federal income tax that is withheld from your paychecks for the rest of 2014.

Specifically, you can adjust your withholding by increasing or decreasing the number of allowances claimed on your Form W-4. The more allowances claimed, the lower the withholding from each paycheck; the fewer allowances claimed, the greater the withholding. If claiming zero allowances for the rest of the year would still not result in enough extra withholding, you can ask your employer to withhold an additional amount of federal income tax from each paycheck.

While filling out a new Form W-4 seems like something that should be quick and easy, it's not necessarily so—because the tax rules are neither quick nor easy. Fortunately, there is an online Form W-4 calculator on the IRS website at www.irs.gov that can help to make the job simpler. From the

IRS home page, click on the "More ..." link under "Tools." Then click on the "IRS withholding calculator" link. You will see the entry point for the online calculator. It's pretty easy to use once you assemble information about your expected 2014 income and expenses, plus your most recent pay stub and tax return.

Please understand that the IRS calculator is not perfect. (Remember, it's free, and to some extent, you always get what you pay for.) However, using the calculator to make withholding allowance changes on a new Form W-4 filed with your employer is probably better than doing nothing, especially if you believe you are likely to be significantly under withheld or over withheld for this year.

Of course, if you want more precise results, we would be happy to put together a 2014 tax projection for you. At the same time, we can probably recommend some planning strategies to lower this year's tax bill. Contact us for details.

Tax Calendar

July 15

If the monthly deposit rule applies, employers must deposit the tax for payments in June for Social Security, Medicare, withheld income tax, and non-payroll withholding.

July 31

If you have employees, a federal unemployment tax (FUTA) deposit is due if the FUTA liability through June exceeds \$500.

The second quarter Form 941 ("Employer's Quarterly Federal Tax Return") is also due today. (If your tax liability is less than \$2,500, you can pay it in full with



a timely filed return.) If you deposited the tax for the quarter in full and on time, you have until August 11 to file the return.

August 15

If the monthly deposit rule applies, employers must deposit the tax for payments in July for Social Security, Medicare, withheld income tax, and non-payroll withholding.

September 15

Third quarter estimated tax payments are due for individuals, trusts, and calendar-year corporations.

If a five-month extension was obtained, partnerships should file their 2013 Form 1065 by this date.

If a six-month extension was obtained, calendar-year corporations should file their 2013 income tax returns by this date.

If the monthly deposit rule applies, employers must deposit the tax for payments in August for Social Security, Medicare, withheld income tax, and non-payroll withholding.
