

## W-4 Breakdown:

Congratulations, you just landed a new job! You aced the interview and now it's your first day at work, but before you can receive your first paycheck you will have to fill out an IRS Form W-4. What is a W-4 you ask? It is a form the government uses to figure out how much you must pay in taxes for the year by using information you provide. The National Endowment for Financial Education explains it as a way for you to "have some control over the amount taken out of your paycheck." Now let's break it down to the when, what, how, why, and who of this mysterious form.

**When:** You fill one out when you first start at a new job.

**What:** Calculates how much money is taken out of each of your paychecks to go towards the total yearly amount of taxes you have to pay.

**How:** Line 5, "total number of allowances," uses things about your life—like whether you're married, if you have kids, or if you work multiple jobs—to calculate exactly how much of your pay will be sent to the IRS. The amount sent will go towards paying your taxes.

**Why:** If the government takes some of your money from each paycheck, you won't have to come up with a huge lump sum at the end of the year. Any money that's left over, that you paid extra, will come back to you in the form of a refund check. The lower your number is on the "total number of allowances" line, the more taxes will be withheld or deducted from your paycheck. While it is true you will receive a larger refund check if you do not claim enough allowances, you will also have less money to live on each pay period. Cameron Huddleston, from Kiplinger.com says in her article about "How to Fill out a W-4 Form," if you don't claim enough allowances "you'll be giving the government an interest-free loan." Instead of striving for a larger refund check you could "pay yourself first" and put that extra money into your savings account.

**Who:** You can change or update your W-4 anytime you want by filling out a new W-4 form at work.

### Form W-4 (2012)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2012 expires February 18, 2013. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

**Basic instructions.** If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

**Head of household.** Generally, you can claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 505 for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

income, see Pub. 505 to find out if you should adjust your withholding on Form W-4 or W-4P.

**Two earners or multiple jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 505 for details.

**Nonresident alien.** If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 505 to see how the amount you are having withheld compares to your projected total tax for 2012. See Pub. 505, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

**Future developments.** The IRS has created a page on IRS.gov for information about Form W-4, at [www.irs.gov/w4](http://www.irs.gov/w4). Information about any future developments affecting Form W-4 (such as legislation enacted after we release it) will be posted on that page.

#### Personal Allowances Worksheet (Keep for your records.)

<p><b>A</b> Enter "1" for <b>yourself</b> if no one else can claim you as a dependent . . . . . <b>A</b> _____</p> <p><b>B</b> Enter "1" if:               • You are single and have only one job; or               • You are married, have only one job, and your spouse does not work; or               • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. . . . . <b>B</b> _____</p> <p><b>C</b> Enter "1" for your <b>spouse</b>. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . . <b>C</b> _____</p> <p><b>D</b> Enter number of <b>dependents</b> (other than your spouse or yourself) you will claim on your tax return . . . . . <b>D</b> _____</p> <p><b>E</b> Enter "1" if you will file as <b>head of household</b> on your tax return (see conditions under <b>Head of household</b> above) . . . . . <b>E</b> _____</p> <p><b>F</b> Enter "1" if you have at least \$1,900 of <b>child or dependent care expenses</b> for which you plan to claim a credit . . . . . <b>F</b> _____          (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)</p> <p><b>G</b> <b>Child Tax Credit</b> (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.              • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three to seven eligible children or less "2" if you have eight or more eligible children. . . . . <b>G</b> _____              • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child . . . . . <b>G</b> _____</p> <p><b>H</b> Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► <b>H</b> _____</p>	<p>For accuracy, <b>complete all worksheets that apply.</b></p> <ul style="list-style-type: none"> <li>• If you plan to <b>itemize or claim adjustments to income</b> and want to reduce your withholding, see the <b>Deductions and Adjustments Worksheet</b> on page 2.</li> <li>• If you are <b>single and have more than one job</b> or are <b>married and you and your spouse both work</b> and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the <b>Two-Earners/Multiple Jobs Worksheet</b> on page 2 to avoid having too little tax withheld.</li> <li>• If <b>neither</b> of the above situations applies, <b>stop here</b> and enter the number from line H on line 5 of Form W-4 below.</li> </ul>
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Separate here and give Form W-4 to your employer. Keep the top part for your records.

<p><b>W-4</b> Form Department of the Treasury Internal Revenue Service</p>		<p><b>Employee's Withholding Allowance Certificate</b> ► Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>		<p>OMB No. 1545-0074 <b>2012</b></p>
1 Your first name and middle initial		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5		6
6 Additional amount, if any, you want withheld from each paycheck		6 \$		
7 I claim exemption from withholding for 2012, and I certify that I meet <b>both</b> of the following conditions for exemption. • Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability, <b>and</b> • This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability. If you meet both conditions, write "Exempt" here . . . . . ► 7				
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (This form is not valid unless you sign it.) ►		Date ►		
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)	10 Employer identification number (EIN)	

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form W-4 (2012)

#### Sources:

1. Student Guide: NEFE High School Financial Planning Program, Greenwood Village, CO: National Endowment for Financial Education, 2006.
2. Huddleston, C. (2011). Kiplinger. How to Fill out a W-4 Form. Retrieved from <http://www.kiplinger.com/columns/kiptips/archives/how-to-fill-out-a-w4-form.html>
3. IRS. (2012). Form W-4. Retrieved from <http://www.irs.gov/pub/irs-pdf/fw4.pdf>
4. eHOW. (2012). How to Fill out Form W-4 for New Employees. Retrieved from [http://www.ehow.com/how\\_2048578\\_fill-out-wfour.html](http://www.ehow.com/how_2048578_fill-out-wfour.html)