

# Give Withholding and Payments a Check-up to Avoid a Tax Surprise

IRS Summertime Tax Tip 2013-25, August 28, 2013

Some people are surprised to learn they're due a large federal income tax refund when they file their taxes. Others are surprised that they owe more taxes than they expected. When this happens, it's a good idea to check your federal tax withholding or payments. Doing so now can help avoid a tax surprise when you file your 2013 tax return next year.

Here are some tips to help you bring the tax you pay during the year closer to what you'll actually owe.

## **Wages and Income Tax Withholding**

- **New Job.** Your employer will ask you to complete a Form W-4, Employee's Withholding Allowance Certificate. Complete it accurately to figure the amount of federal income tax to withhold from your paychecks.
- **Life Event.** Change your Form W-4 when certain life events take place. A change in marital status, birth of a child, getting or losing a job, or purchasing a home, for example, can all change the amount of taxes you owe. You can typically submit a new Form W-4 anytime.
- **IRS Withholding Calculator.** This handy online tool will help you figure the correct amount of tax to withhold based on your situation. If a change is necessary, the tool will help you complete a new Form W-4.

## **Self-Employment and Other Income**

- **Estimated tax.** This is how you pay tax on income that's not subject to withholding. Examples include income from self-employment, interest, dividends, alimony, rent and gains from the sale of assets. You also may need to pay estimated tax if the amount of income tax withheld from your wages, pension or other income is not enough. If you expect to owe a thousand dollars or more in taxes and meet other conditions, you may need to make estimated tax payments.
- **Form 1040-ES.** Use the worksheet in Form 1040-ES, Estimated Tax for Individuals, to find out if you need to pay estimated taxes on a quarterly basis.
- **Change in Estimated Tax.** After you make an estimated tax payment, some life events or financial changes may affect your future payments. Changes in your income, adjustments, deductions, credits or exemptions may make it necessary for you to refigure your estimated tax.
- **Additional Medicare Tax.** A new Additional Medicare Tax went into effect on Jan. 1, 2013. The 0.9 percent Additional Medicare Tax applies to an individual's wages, Railroad Retirement Tax Act compensation and self-employment income that exceeds a threshold amount based on the individual's filing status. For additional information on the Additional Medicare Tax, see our [questions and answers](#).
- **Net Investment Income Tax.** A new Net Investment Income Tax went into effect on Jan. 1, 2013. The 3.8 percent Net Investment Income Tax applies to individuals, estates and trusts that have certain investment income above certain threshold amounts. For additional information on the Net Investment Income Tax, see our [questions and answers](#).