What Is a W-4 Form and How Do I Fill One Out?

When taxpayers begin new employment, they should receive a W-4 tax form from their employer. Often the tax forms or IRS forms you receive can be challenging to understand, even with the instructions on the back of the form.

In addition, each tax form has its unique purpose and must be filled out precisely. Read on for everything you need to know about what a W-4 form is and how to fill one out.

Related: W-9 Form: What Is It And Why Do You Need To Fill One Out?

What is a W-4 form?

When you start a new job, your employer will supply you with a W-4 form. A W-4 form, legally titled an "Employee's Withholding Certificate," is Internal Revenue Service (IRS) documentation that informs your employer of the amount of money to withhold from your wages for federal taxes.

The form notifies the employer of the following:

- Employee's filing status.
- Adjustments for multiple jobs.
- Amount of credits.
- Amount of other income.
- Amount of deductions.
- Additional amount to withhold from each paycheck which you can use to compute the federal income tax deductions to withhold from employee pay.

Almost every money-earning occupation must pay taxes, and the W-4 is a way to allocate part of your paycheck to taxes as you go instead of having a large balance due at the end of the year, come tax time.

It can also work oppositely by ensuring you don’t overpay on the amount of tax, so you can keep that money in your pocket during the year.

How to fill out a W-4 form

When you receive a W-4, there will be several pieces of information you’re required to fill out. While the form does come with instructions, sometimes even those can be confusing.

Luckily, the IRS has streamlined the design, taking out the complicated worksheets of the old days and implementing more straightforward questions in the new W-4 form. This change was intended to make the process easier for employees and to promote accuracy in paycheck withholding.

See below for a simple step-by-step process for filling out each section of the W-4 form.

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1. Personal information

Step one of this process requires filling out some standard personal information. Form W-4 asks for the following:

- Name.
- Address.
- Social security number.
- Tax filing status.

When it comes to tax filing status, you should fill out the option that aligns with how you will file your taxes when the

time comes. The tax filing status options are:

- Single.
- Married filing separately.
- Married filing jointly.
- Qualifying widow(er).
- Head of household.

A few details on the W-4 have changed. There used to be the option of “married, but withholding at a higher single rate.” However, that is no longer a choice on the form.

At this point, many people stop here and let their employer withhold according to the default levels.

While this is undoubtedly the easiest option, it is not necessarily the best option – depending on specific life changes, you may find more money in extra withholding when filling out your W-4.

The default option takes away a significant amount of control, so when you file taxes, you might be surprised at the size of your return or what you owe on your tax bill.

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2. Account for jobs

This is another change to the W-4 form. You will need to complete the form with the combined taxable income between you and your spouse (if applicable), including self-employment income. Failing to include this might result in a tax withholding amount that is too small.

When it comes time to determine how much to withhold, there are a few different tools you can use to get the most accurate withholding form. Those options include:

- **Online estimator: There are several online tax**

withholding estimator tools out there that will help you determine the specific amount to withhold for each pay period. If you are self-employed, this is a helpful method because the online tool will allow you to account for self-employment taxes and federal income taxes.

- IRS worksheet: All IRS tax forms come with worksheets to guide you through the completion process. If you or your spouse work more than one job, the worksheet is a helpful resource for filing options. However, the online estimator can account for multiple jobs if you prefer a digital tool.
- Default rate: Form W-4 provides an option to choose the default rate. This means the employer will automatically withhold the default rate from each of your paychecks. This could be the most efficient option if you have multiple jobs with similar wages.

You can choose the default option and let your employer withhold according to the default levels. Again, this may be the most straightforward way to handle your W-4, but it may not be the wisest way to do it.

The default option takes away your agency. If you file this way, your tax return (whether you owe money or get a refund) may be unexpected. If you operate with a fair amount of financial freedom based on income, the default option might not matter to you.

However, if you live on a more paycheck-to-paycheck basis, there are better options to maximize your income and cover your yearly tax liability.

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3. Claim dependents

If you are filing with a spouse and you have children or any number of dependents, decide which of you will be claiming those dependents, as only one of you needs to file for them.

Filing dependents on both forms will likely result in a lack of withholding, meaning you will need to pay additional taxes at the end of the tax year.

The form requires you to fill in how many qualifying children you have younger than seventeen, in addition to the number of other dependents you have.

In addition, if you are filing with a spouse, whoever has the highest-paying job should allow for child tax credits. You can also note other tax credits if you want an additional amount withheld from your monthly paycheck.

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4. Additional adjustments

If there are any particular circumstances or additional adjustments you'd like to make, this is where you'll be able to file them. Those adjustments might include the following:

- **Other received income:** Amounts added will increase withholding.
- **Other qualified deductions:** Amounts added will decrease withholding.
- **Optional additional employer withholding amounts:** Amounts added will increase withholding allowances.

There are a few "if/then" situations that might apply to your W-4, which include:

- If you are going to allow for other qualified income deductions and you have a spouse, then make sure only

one of you allows those deductions.

- If you are going with itemized deductions rather than standard deductions, then use the W-4 deductions worksheet to indicate that you'd like your employer to decrease the withholding amount.
- If you are going to claim exemption from withholding, you must not owe any federal tax from the previous year or expect to owe federal tax from the current year.

Related: Take Advantage of These 16 Commonly Missed Tax Deductions

5. Sign, seal and deliver

The final step to completing your W-4 form is simply signing your signature, dating it accordingly and submitting it to your employer.

W-4 form FAQs

Now that you've seen the step-by-step process, you might have even more questions about some of that information. See some frequently asked questions on W-4 forms to see if you find the answer you're looking for.

What happens to your old W-4 when you start a new job?

Even if you completed a W-4 with your previous employer, you should still complete a new W-4 form, even if all of your information and filings have stayed the same.

Pay attention to your W-4, as failure to do so will result in your employer withholding income taxes at the highest rate without any adjustments.

Will Claiming “0” in allowances result in a bigger tax refund?

It can. Depending on your tax situation, claiming “0” might result in a more extensive refund check when tax season comes. And while some enjoy seeing a lump sum come through, that lump sum is your funding of an interest-free loan to the government.

Should you revise your W-4 after significant life events?

Yes. The amount withheld on your W-4 is generally based on the number of people in your family. If that number changes, you should notify your employer immediately. Life events that can cause you to change your W-4 include:

- Getting a new job.
- Getting married.
- Having a baby or adopting a child.
- An adult child that is no longer a dependent.

What if you want to change your withholding?

You can. W-4 forms are relatively flexible, meaning you can complete a new form at any time if you decide to change your withholding amount.

For example, your income will change if you stay with the same company but are given a raise or promotion. If you would like to change your withholdings based on your new income, you are free to do so.

However, your decision does not have to be based on any change; you may change your withholdings at any time based on what is best for your finances.

What you need to know about W-4 forms

You should receive a W-4 tax form from your employer whenever you begin a new job. When you receive this form, it will ask you to fill out personal information and tax withholding information.

The tax withholding choices you make will determine how your income is affected, how much of your income is allocated to federal taxes during the year and the amount of taxes you will owe or be refunded at the end of the tax year.

While there are advantages and disadvantages to each filing choice you can make on your W-4 Form, it is ultimately up to you to do what is best for your finances.

For information on taxes and more, visit Entrepreneur.com.

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