Fact Sheet

Module 1: Payroll Taxes and Federal Income Tax Withholding

Payroll and **income** taxes are withheld from employees' pay by their employers. Employers send withheld taxes to the federal government.

Payroll taxes include Social Security (FICA) tax and Medicare tax.
- The Social Security tax rate is 6.2 percent.
- The Medicare tax rate is 1.45 percent.

Employees complete Form W-4, *Employee's Withholding Certificate*.
Employers use Form W-4 to compute the amount of income tax to withhold.

The Tax Withholding Estimator is a tool on IRS.gov designed to help you determine how to have the right amount of tax withheld from your paychecks. When you use the Tax Withholding Estimator, it will help you determine if you need to adjust your withholding and submit a new Form W-4 to your employer.

Form W-4

Department of the Treasury
Internal Revenue Service

Employee's Withholding Certificate

Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay.
Give Form W-4 to your employer.
Your withholding is subject to review by the IRS.

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20XX

Step 1:

Enter Personal Information

(a) First name and middle initial | Last name

(b) Social security number

Address

Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to *www.ssa.gov*.

City or town, state, and ZIP code

(c) ☐ **Single** or **Married filing separately**

☐ **Married filing jointly** or **Qualifying surviving spouse**

☐ **Head of household** (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)

Complete Steps 2–4 ONLY if they apply to you; otherwise, skip to Step 5. See page 2 for more information on each step, who can claim exemption from withholding, and when to use the estimator at *www.irs.gov/W4App*.

Step 2:

Multiple Jobs or Spouse Works

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Do **only one** of the following.

(a) Use the estimator at *www.irs.gov/W4App* for most accurate withholding for this step (and Steps 3–4). If you or your spouse have self-employment income, use this option; **or**

(b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; **or**

(c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate . . . . ☐

Complete Steps 3–4(b) on Form W-4 for only ONE of these jobs. Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3–4(b) on the Form W-4 for the highest paying job.)

Step 3:

Claim Dependent and Other Credits

If your total income will be $200,000 or less ($400,000 or less if married filing jointly):

Multiply the number of qualifying children under age 17 by $2,000 $_____

Multiply the number of other dependents by $500 . . . . . $_____

Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here . . . . **3** $_____

Step 4 (optional):

Other Adjustments

(a) Other income (not from jobs). If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . **4(a)** $_____

(b) Deductions. If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . **4(b)** $_____

(c) Extra withholding. Enter any additional tax you want withheld each **pay period** . . **4(c)** $_____

Step 5:

Sign Here

Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.

_____

Employee's signature (This form is not valid unless you sign it.)

Date

Employers Only

Employer's name and address

First date of employment

Employer identification number (EIN)