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**Harmony Wealth
Strategies**

BUILDING AND SAFEGUARDING
YOUR FINANCIAL WORLD

Am I having enough tax withheld from my paycheck?





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It is important that you properly estimate your tax withholding. If an insufficient amount of taxes is withheld, you may end up owing a substantial sum, including penalties and interest, when you file your tax return. Choosing the correct withholding amount for your salary or wages is a matter of completing Form W-4 worksheets, providing an updated Form W-4 when your circumstances change, and perhaps becoming familiar with IRS Publication 505, which deals with withholding and estimated tax.

Two factors determine the amount of income tax your employer withholds from your regular pay: the amount you earn, and the information regarding filing status and withholding allowances that you provide your employer on Form W-4. If you accurately complete all Form W-4 worksheets and you do not have significant nonwage income (e.g., interest and dividends), it is likely that your employer will withhold an amount close to the tax you owe on your return. In the following cases, however, accurate completion of the Form W-4 worksheets alone will not guarantee that you will have the correct amount of tax withheld:

- When you are married and both spouses work
- When you are working more than one job
- When you have nonwage income, such as interest, dividends, alimony, unemployment compensation, or self-employment income
- When you will owe other taxes on your return, such as self-employment tax or household employment tax
- When your withholding is based on obsolete W-4 information for a substantial part of the year (e.g., you've gotten married, gotten divorced, gained a dependent, experienced income fluctuations)

To ensure that you have the correct amount of tax withheld, obtain a copy of IRS Publication 505. It should help you compare the total tax to be withheld for the year to the tax you anticipate owing on your return. It can also help you determine any additional amount you may need to withhold from each paycheck to avoid owing taxes when you file your return. Alternatively, it may help you identify if you are having too much tax withheld.

IMPORTANT DISCLOSURES

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To the extent that this material concerns tax matters, it is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding penalties that may be imposed by law. Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances.

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