

New Employee Paperwork Series

Part 3: Why Is the W-4 Form So Confusing?



Each new employee you hire must complete a Federal W-4 form (aka a Federal Tax Withholding form) so you can withhold federal income tax appropriately from the employee's paycheck.

Completing the W-4 can be very confusing for some employees, especially younger ones, however, **employers should not give employees tax advice.** It is the employee's responsibility to complete the form and to seek guidance (other than from the employer) if needed. You do not want to be in the position of the employee not paying enough taxes and the practice in turn not paying enough taxes as a result of your advice. You may wish to give your employees some resources to help them, however, or suggest that they Google how to complete the form.

The heart of the information needed to withhold taxes correctly for everyone is:

- *Marital Status*
- *Number of allowances*
- *Additional deduction amounts*

The pages of documentation that accompany the W-4 tend to make completing the form more time-consuming, but some employees

have never seen the additional documentation, so be sure and give it to every employee whether they say they need/want it or not.

The math for the worksheet can be confusing because it attempts to help the taxpayer find the “*withholding allowances.*” **Withholding allowances and the number of dependents are not the same.** What’s a withholding allowance? It represents the total tax deductions divided by the personal exemption rate. The withholding allowance is related to, but not the same as the number of dependents claimed on your tax return. In other words, the number of dependents is not the whole story with taxes, and other circumstances may play into the taxpayer’s requirement to pay additional taxes.

Once the employee has completed the form, deciding how many allowances s/he wants to claim, and any other exemptions s/he may be qualified for, check the form to make sure everything has been completed. Don’t forget to provide state W-4 forms if your state collects income tax. Together these forms will guide the enrollment of the employee into the payroll system.

Once the Form W-4 has been completed and processed by payroll, it is best to keep the form(s) in the personnel file as long as the information is current and the employee is employed.

If the information changes it can be removed after three (3) years, but I would suggest keeping it indefinitely as long as the personnel file is retained.

It is a good idea to remind your employees to update the withholdings information on a regular basis, preferably annually, but especially when they make changes in their life that would impact withholdings such as marriage, children, divorce or death of a spouse or child. Many employees will ask to complete a new form after they file their taxes and find out they’ve been withholding too much or too little.

Resources for you and your staff:

How to Fill Out Form W-4

IRS Withholding Calculator & W-4

Adjusting Tax Withholding from Your Paycheck

Read Part 1 in the New Employee Paperwork Series: The Application

Read Part 2 in the New Employee Paperwork Series: The I-9 Form



ABOUT THE AUTHOR: *Susan Hayes' undergraduate degree in Psychology from NC Wesleyan College prepared her to weigh objectivity with compassion. Her Masters in Public Health from The University of North Carolina at Chapel Hill and her background in benefits administration have given her a comprehensive understanding of the complexities and scrutiny imposed on businesses, particularly healthcare businesses. Twenty years as a human resource specialist in the healthcare field means that Ms. Hayes is well-positioned to help a healthcare entity of any size find solutions for human resource issues. She can be contacted at **Susan Hayes, MPH, Hayes Consulting, 910-284-1627, hayesconsulting@embarqmail.com.***

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