

# AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## FINANCIAL & BUSINESS INFORMATION

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### Time to Tweak Your Tax Withholding?

Now that your 2007 income tax returns are done, consider adjusting your withholding if you *received a large refund* or *owed a substantial amount* to either the IRS or your state. If employed, you will need to give your employer a revised Form W-4, Employee's Withholding Allowance Certificate, to reflect any withholding changes. Otherwise, you may need to revise your estimated quarterly income tax payments.

If your withholding is too high, you are loaning the government funds you may be able to use during the year to generate income or for personal purposes.

Taxpayers who withhold too little during the year may owe a substantial amount on April 15<sup>th</sup>. This painful situation is compounded if the taxpayer also owes penalties and interest for underpayment during the year. One way to avoid penalties is to pay in at least 90 % of your total taxes for the year through payroll withholding or by making estimated tax payments.

Significant personal or financial life changes may also indicate the need to review your withholding. This includes changes in:

- Filing status or exemptions (due to marriage, divorce or birth of a child)
- Wage income
- Income not subject to withholding (such as rental income)
- Deductions or credits
- Other taxes (self-employment tax or employment taxes for household workers)

Since many factors can affect your tax status, it's a good idea to review your situation one or twice a year to ensure that you're on track. Consider reviewing in March/April after completing your tax return to see where you stand for the upcoming year and in early November to allow time to make adjustments by year-end, if needed. If you would like assistance with this, please contact one of our professionals.

**Note: If you make estimated tax payments, the second 2008 estimate is due June 16!**