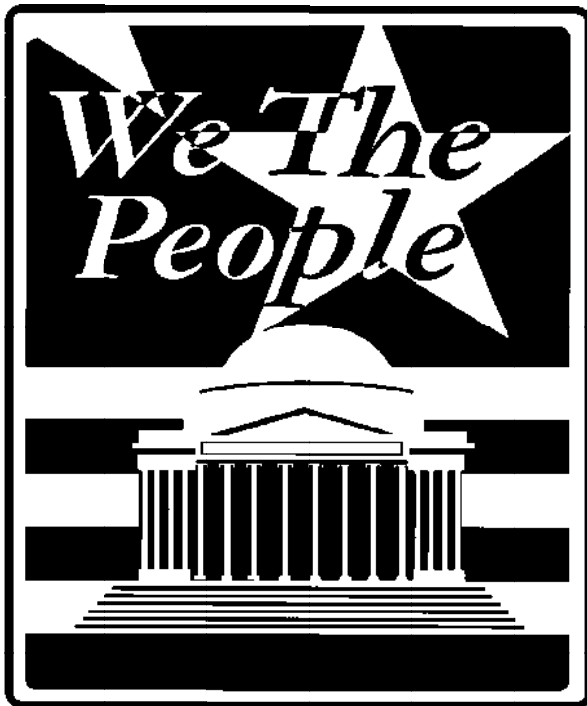




## Publication 919

Cat. No. 63900P

# Is My Withholding Correct for 1995?



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## Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year.

Don't be caught short. Check your withholding for 1995 as soon as possible to avoid owing a large amount of tax at the end of the year. Checking your withholding can also help you avoid paying interest and penalties.

**Tax law changes.** Changes in the law for 1995 may affect your tax for the year. If these changes increase your tax and you do not increase your withholding, you may have to pay tax when you file your return.

**Reduction of itemized deductions.** If your adjusted gross income is more than \$114,700 (\$57,350 if married filing separately), certain of your itemized deductions may be reduced. See *Worksheet 3 — Itemized Deductions Limit*.

**Phaseout of exemptions.** If your adjusted gross income is more than \$86,025, your deduction for exemptions may be reduced or eliminated. See *Worksheet 4 — Exemptions Phaseout*.

**Other changes.** For information on other changes that may affect your 1995 tax, see Publication 553, *Highlights of 1994 Tax Changes*.

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## Check Your Withholding

Even if you gave your employer a 1995 Form W-4, *Employee's Withholding Allowance Certificate*, you need to check to see if you will have enough tax withheld for 1995. You will need to compare the total tax to be withheld from your pay during 1995 with the amount you expect your tax will be for all of 1995. This publication will help you to do this.

**Why check your withholding?** In addition to changes in the tax law, changes in your financial or personal situation may affect the accuracy of your withholding. Items that may change include:

- Your nonwage income, such as interest, dividends, capital gains, etc.
- Your wage income, if you or your spouse starts working or starts a second job.
- Your itemized deductions, such as those related to the purchase of a new home or large medical expenses.
- Personal factors, such as marriage, divorce, birth of a child, or loss of an exemption.

**When to check your withholding.** When you receive a pay slip (statement) for a full pay period in 1995, showing tax withheld based on 1995 tax rates, you can use the worksheets in this publication to see if you are having the right amount of tax withheld.

**Too little tax withheld?** If too little tax will be withheld, you should give your employer a 1995 Form W-4 showing an additional amount to be withheld from your pay. Get a blank Form W-4 from your employer. You probably will have too little tax withheld if you have more than one job at a time, if your spouse also works, or if you have income not subject to withholding.

If your employer cannot withhold enough additional tax from your pay, you may need to make estimated tax payments. This might occur if your pay is low and you have substantial nonwage income, such as interest, dividends, capital gains, or earnings from self employment. For more information, see Publication 505, *Tax Withholding and Estimated Tax*. You can get Publication 505 by calling the Internal Revenue Service toll free at 1-800-TAX-FORM (1-800-829-3676). Or you can use the order blank at the end of this publication.

**Too much tax withheld?** You may receive a refund when you file your return if too much tax is withheld. If you do not want a refund, you may be able to decrease your withholding by giving your employer a 1995 Form W-4. Get a blank Form W-4 from your employer. See its instructions to find out if you can decrease your withholding by claiming more allowances that you may be entitled to but have not already claimed.

from your employer. Enter on line 6 of the new form the amount from line 6 of the worksheet. If you have this additional amount withheld from your pay each payday, you will avoid owing a large tax balance at the end of the year. Enter on the new form the **same number** of withholding allowances your employer now uses for your withholding.

Give the completed form to your employer right away so that the additional amount will be withheld by your next payday.

**Example.** Using Worksheets 1 and 2, Steve figures that his 1995 tax liability will be \$5,000 and that his withholding for the year will be \$4,700. Steve's tax will be underwithheld by \$300 (\$5,000 - \$4,700). He will have to pay this amount when he files his 1995 tax return or he can increase his withholding. Steve gets a new 1995 Form W-4 from his employer, who tells him that there are 50 paydays remaining in 1995. Steve completes the form as before, then enters \$6 (\$300 ÷ 50) on line 6 of the form. This is the additional amount to be withheld from his pay each payday. He gives the completed form to his employer right away.

**More than one job.** If you have more than one job (or you are married filing jointly and your spouse also works), you can increase your withholding for one or more of the jobs.

You can apply the amount on line 5 of Worksheet 2 to only one job or divide it between the jobs any way you wish. Then divide the amount you apply to a job by the number of paydays remaining in 1995 for that job. This will give you the additional amount to enter on line 6 of the 1995 Form W-4 you will file for that job.

## Correct Your Withholding

If the amount on line 5 of *Worksheet 2 — 1995 Withholding Worksheet* is more than you want to have to pay when you file your tax return for 1995, you should complete a new Form W-4 for 1995. Get a blank Form W-4

Form <b>W-4</b> Department of the Treasury Internal Revenue Service		<b>Employee's Withholding Allowance Certificate</b>		OMB No. 1545-0010
		▶ For Privacy Act and Paperwork Reduction Act Notice, see reverse.		<b>1995</b>
1 Type or print your first name and middle initial		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: if married, but legally separated, or spouse is a nonresident alien, check the Single box.		
City or town, state, and ZIP code		4 If your last name differs from that on your social security card, check here and call 1-800-772-1213 for a new card . . . . . <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line G above or from the worksheets on page 2 if they apply)				5
6 Additional amount, if any, you want withheld from each paycheck . . . . .				6 \$
7 I claim exemption from withholding for 1995 and I certify that I meet BOTH of the following conditions for exemption: • Last year I had a right to a refund of ALL Federal income tax withheld because I had NO tax liability; AND • This year I expect a refund of ALL Federal income tax withheld because I expect to have NO tax liability. If you meet both conditions, enter "EXEMPT" here . . . . . ▶				7
Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status.				
Employee's signature ▶		Date ▶ . . . . ., 19		
8 Employer's name and address (Employer: Complete 8 and 10 only if sending to the IRS)		9 Office code (optional)	10 Employer identification number	

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Worksheet 1. **1995 Tax Worksheet** (Note: Enter combined amounts if married filing joint return.)

1) Enter amount of Adjusted Gross Income (AGI) you expect in 1995. (AGI means wages, interest, dividends, alimony received, and all other income <b>minus</b> certain adjustments to income, such as alimony paid and deductible contributions to an IRA.) .....	1	
2) • If you plan to itemize deductions, enter the estimated total of your deductions allowable after applying any limits, such as the 7.5% limit on medical expenses. ( <b>Caution:</b> If the amount on line 1 is more than \$114,700 (\$57,350 if married filing separately), use Worksheet 3 to figure the amount to enter here.) • If you do not plan to itemize deductions, enter the amount of your standard deduction from the 1995 Standard Deduction Tables, later .....	2	
3) Subtract line 2 from line 1. Enter the difference here. (If zero or less, enter zero.) .....	3	
4) Exemptions. Multiply \$2,500 by the number of exemptions you plan to claim. If you can be claimed as a dependent on another person's return, you cannot claim an exemption for yourself.* ( <b>Caution:</b> If the amount on line 1 is more than the amount shown below for your 1995 filing status, use Worksheet 4 to figure the amount to enter here.) .....	4	
• Single, \$114,700 • Married filing jointly or Qualifying widow(er), \$172,050 • Head of household, \$143,350 • Married filing separately, \$86,025 * This applies even if the other person will not claim your exemption or the exemption will be reduced or eliminated under the exemption phaseout rule.		
5) Subtract line 4 from line 3. (If zero or less, enter zero.) .....	5	
6) Tax. Figure your tax on the amount on line 5 by using the 1995 Tax Rate Schedules later in this publication. DO NOT use the Tax Table or Tax Rate Schedules in the 1994 tax return instructions. ( <b>Caution:</b> If the amount on line 1 includes a net capital gain, you may have to use Worksheet 5 to figure the amount to enter here.) .....	6	
7) Enter additional taxes (those on certain distributions from trusts and employee benefit plans) .....	7	
8) Add lines 6 and 7. ....	8	
9) Credits (includes credit for child and dependent care expenses, credit for the elderly or disabled, credit for foreign taxes, etc.) .....	9	
10) Subtract line 9 from line 8. (If zero or less, enter zero.) .....	10	
11) Self-employment tax. Estimate of 1995 self-employment income \$_____. Multiply self-employment income by .153 (15.3%). ( <b>Caution:</b> If the estimated total of wages and self-employment income is more than \$61,200, use Worksheet 6 to figure the amount to enter here.) .....	11	
12) Other taxes (includes tax on early distributions from an IRA, alternative minimum tax, etc.) .....	12	
13) Total taxes. Add lines 10 through 12. Enter the total here and on line 1 of Worksheet 2 below. ....	13	

Worksheet 2. **1995 Withholding Worksheet** (Note: Enter combined amounts if married filing joint return.)

1) Enter your total taxes from line 13 of Worksheet 1 .....	1	
2) Total federal income tax withheld to date in 1995 (include all jobs) .....	2	
3) Tax withholding expected for the rest of 1995: For each job, multiply the amount of federal income tax now being withheld each payday by the number of paydays remaining in 1995 and enter the combined amount for all jobs .....	3	
4) Total expected tax withholding for all paydays in 1995. Add lines 2 and 3 .....	4	
5) Too little tax withheld. Subtract line 4 from line 1. (If line 1 is smaller than line 4, stop here. You will be overwithheld. See <i>Too much tax withheld?</i> ) .....	5	
6) Divide line 5 by the number of paydays remaining in 1995 and enter the result. This is the additional amount you should have withheld from your pay each payday .....	6	

## 1995 Tax Rate Schedules

**Caution:** Do not use these Tax Rate Schedules to figure your 1994 taxes. Use only to figure your 1995 estimated taxes.

### Single—Schedule X

If line 5 is:		The tax is:	of the amount over—
Over—	But not over—		
\$0	\$23,350	.....15%	\$0
23,350	56,550	<b>\$3,602.50 + 28%</b>	23,350
56,550	117,950	<b>12,798.50 + 31%</b>	56,550
117,950	256,500	<b>31,832.50 + 36%</b>	117,950
256,500	.....	<b>81,710.50 + 39.6%</b>	256,500

### Head of household—Schedule Z

If line 5 is:		The tax is:	of the amount over—
Over—	But not over—		
\$0	\$31,250	.....15%	\$0
31,250	80,750	<b>\$4,687.50 + 28%</b>	31,250
80,750	130,800	<b>18,547.50 + 31%</b>	80,750
130,800	256,500	<b>34,063.00 + 36%</b>	130,800
256,500	.....	<b>79,315.00 + 39.6%</b>	256,500

### Married filing jointly or Qualifying widow(er)—Schedule Y-1

If line 5 is:		The tax is:	of the amount over—
Over—	But not over—		
\$0	\$39,000	.....15%	\$0
39,000	94,250	<b>\$5,850.00 + 28%</b>	39,000
94,250	143,600	<b>21,320.00 + 31%</b>	94,250
143,600	256,500	<b>36,618.50 + 36%</b>	143,600
256,500	.....	<b>77,262.50 + 39.6%</b>	256,500

### Married filing separately—Schedule Y-2

If line 5 is:		The tax is:	of the amount over—
Over—	But not over—		
\$0	\$19,500	.....15%	\$0
19,500	47,125	<b>\$2,925.00 + 28%</b>	19,500
47,125	71,800	<b>10,660.00 + 31%</b>	47,125
71,800	128,250	<b>18,309.25 + 36%</b>	71,800
128,250	.....	<b>36,631.25 + 39.6%</b>	128,250

**Worksheet 3 — Itemized Deductions Limit**

Use this worksheet to figure the amount to enter on line 2 of

**Worksheet 1 — 1995 Tax Worksheet.**

- 1. Enter the amount from line 1 of Worksheet 1
2. Enter \$114,700 (\$57,350 if married filing separately)
3. Subtract line 2 from line 1

Note. If the amount on line 3 is zero or less, do not use this worksheet. See the instructions on line 2 of Worksheet 1.

- 4. Enter the estimated total of your itemized deductions allowable after applying any limits
5. Enter the amount included in line 4 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses
6. Subtract line 5 from line 4

Note. If the amount on line 6 is zero, stop here and enter the amount from line 4 on line 2 of Worksheet 1.

- 7. Multiply the amount on line 6 by .80
8. Multiply the amount on line 3 by .03
9. Enter the smaller of line 7 or line 8
10. Subtract line 9 from line 4. Enter the result here and on line 2 of Worksheet 1

**Worksheet 4 — Exemptions Phaseout**

Use this worksheet to figure the amount to enter on line 4 of

**Worksheet 1 — 1995 Tax Worksheet.**

- 1. Enter the amount from line 1 of Worksheet 1
2. Enter: \$114,700 if single, \$172,050 if married filing jointly or qualifying widow(er), \$86,025 if married filing separately, \$143,350 if head of household
3. Subtract line 2 from line 1

Note. If the amount on line 3 is zero or less, do not use this worksheet. See the instructions on line 4 of Worksheet 1.

- 4. Divide the amount on line 3 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next whole number
5. Multiply the number on line 4 by .02. Enter the result as a decimal, but not more than 1
6. Multiply \$2,500 by the number of exemptions you plan to claim
7. Multiply the amount on line 6 by the decimal on line 5
8. Subtract line 7 from line 6. Enter the result here and on line 4 of Worksheet 1

**Worksheet 5 — For Figuring Tax If You Have a Net Capital Gain**

Use this worksheet to figure the amount to enter on line 6 of Worksheet 1 — 1995 Tax Worksheet only if the amount on line 1 of that worksheet includes a net capital gain, and line 5 is more than:

- \$56,550, if single,
\$94,250, if married filing jointly or qualifying widow(er),
\$47,125, if married filing separately, or
\$80,750, if head of household.

- 1. Enter the amount from line 5 of Worksheet 1
2. Enter the net capital gain included in line 1 of Worksheet 1
3. Enter the amount of net capital gain from the disposition of property held for investment that you elect to include in investment income for purposes of figuring the limit on investment interest. (Do not include more than the total net gain from the disposition of property held for investment.)
4. Subtract line 3 from line 2. If zero or less, stop here. Figure the tax on the amount on line 1 using the 1995 Tax Rate Schedules and enter the result on line 6 of Worksheet 1
5. Subtract line 4 from line 1
6. Enter: \$23,350 if single, \$39,000 if married filing jointly or qualifying widow(er), \$19,500 if married filing separately, \$31,250, if head of household
7. Enter the larger of line 5 or line 6
8. Subtract line 7 from line 1
9. Figure the tax on the amount on line 7 using the 1995 Tax Rate Schedules, and enter the result
10. Multiply the amount on line 8 by .28
11. Add line 9 and line 10.
12. Figure the tax on the amount on line 1 using the 1995 Tax Rate Schedules
13. Enter the smaller of line 11 and line 12 here and on line 6 of Worksheet 1

**Worksheet 6 — Self-Employment Tax**

Use this worksheet to figure the amount to enter on line 11 of Worksheet 1 — 1995 Tax Worksheet.

- 1. Enter estimated self-employment income for 1995

Note. If the total of line 1 and your estimated wages is \$61,200 or less, do not use this worksheet. See the instructions on line 11 of Worksheet 1.

- 2. Multiply the amount on line 1 by .029
3. Social security tax maximum income \$ 61,200
4. Enter estimated wages for 1995

5. Subtract line 4 from line 3 ..... \_\_\_\_\_

**Note.** If line 5 is zero or less, stop here and enter the amount from line 2 on line 11 of Worksheet 1.

6. Enter the smaller of line 1 or line 5 ..... \_\_\_\_\_

7. Multiply the amount on line 6 by .124 ..... \_\_\_\_\_

8. Add line 2 and line 7. Enter the result here and on line 11 of Worksheet 1 ..... \_\_\_\_\_

# 1995 Standard Deduction Tables

**Caution.** If you are married filing a separate return and your spouse itemizes deductions, or if you are a dual-status alien, you cannot take the standard deduction even if you were 65 or older or blind.

**Table 1. Standard Deduction Chart for Most People\***

If Your Filing Status is:	Your Standard Deduction is:
Single	\$3,900
Married filing jointly or Qualifying widow(er) with dependent child	6,550
Married filing separately	3,275
Head of household	5,750

\* DO NOT use this chart if you were 65 or older or blind, OR if someone can claim you as a dependent.

**Table 2. Standard Deduction Chart for People Age 65 or Older or Blind\***

Check the correct number of boxes below. Then go to the chart.		
You    65 or older <input type="checkbox"/> Blind <input type="checkbox"/>		
Your spouse, if claiming spouse's exemption                      65 or older <input type="checkbox"/> Blind <input type="checkbox"/>		
Total number of boxes you checked <input type="checkbox"/>		
If Your Filing Status is:	And the Number in the Box Above is:	Your Standard Deduction is:
Single	1	\$4,850
	2	5,800
Married filing jointly or Qualifying widow(er) with dependent child	1	7,300
	2	8,050
	3	8,800
	4	9,550
Married filing separately	1	4,025
	2	4,775
	3	5,525
	4	6,275
Head of household	1	6,700
	2	7,650

\* If someone can claim you as a dependent, use the worksheet in Table 3, instead.

**Table 3. Standard Deduction Worksheet for Dependents\***

If you were 65 or older or blind, check the correct number of boxes below. Then go to the worksheet.	
You	65 or older <input type="checkbox"/> Blind <input type="checkbox"/>
Your spouse, if claiming spouse's exemption	65 or older <input type="checkbox"/> Blind <input type="checkbox"/>
Total number of boxes you checked <input type="checkbox"/>	
<b>1.</b> Enter your <b>earned income</b> (defined below). If none, go on to line 3.	<b>1.</b> _____
<b>2.</b> Minimum amount.	<b>2.</b> \$650
<b>3.</b> Compare the amounts on lines 1 and 2. Enter the <b>larger</b> of the two amounts here.	<b>3.</b> _____
<b>4.</b> Enter on line 4 the amount shown below for your filing status: <ul style="list-style-type: none"> <li>• Single, enter \$3,900</li> <li>• Married filing separately, enter \$3,275</li> <li>• Married filing jointly or Qualifying widow(er) with dependent child, enter \$6,550</li> <li>• Head of household, enter \$5,750</li> </ul>	<b>4.</b> _____
<b>5. Standard deduction.</b> <b>a.</b> Compare the amounts on lines 3 and 4. Enter the <b>smaller</b> of the two amounts here. If under 65 and not blind, stop here. This is your standard deduction. Otherwise, go on to line 5b.  <b>b.</b> If 65 or older or blind, multiply \$950 (\$750 if married or qualifying widow(er) with dependent child) by the number in the box above. Enter the result.  <b>c.</b> Add lines 5a and 5b. This is your standard deduction for 1995.	<b>5a.</b> _____  <b>5b.</b> _____  <b>5c.</b> _____
<b>Earned income</b> includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income.	

\* Use Table 3 ONLY if someone can claim you as a dependent.