

TALK POINTS for VITA/TCE Volunteers

Tax Time Uncertainties: Potential for Smaller Refund or Tax Bill

December 2018



These talk points are being provided for SPEC employees, site coordinators, partners and volunteers to help taxpayers who have a smaller refund than anticipated or owe an unexpected tax.

Background: Due to tax law changes created by the Tax Cuts and Jobs Act (also known as TCJA or tax reform), many employees' withholding decreased in early 2018, giving them more money in their paychecks during the year. As a result, some may receive a smaller refund or even owe tax, especially if they did not adjust their withholding after the withholding tables changed. [Publication 5307](#), Tax Reform Basics for Individuals and Families, outlines changes affecting individual taxpayers.

Information to share when helping taxpayers file their returns:

General (*can be used before return is prepared*)

- There were major changes made to the tax law enacted in December 2017. One part of the law changes the way taxable income is calculated and reduces the tax rates on that income. This law required IRS to make changes to the income tax withholding tables that payroll service providers and employers use to determine how much tax to withhold from employee paychecks, considering each employee's wages, marital status, and the number of withholding allowances they claim. This affects most taxpayers receiving a paycheck.
- Many taxpayers' withholding decreased in early 2018, giving them more money in their paychecks. If you noticed more money in your paycheck in 2018, this is likely the reason. The new withholding tables were designed to produce the right amount of withholding.
- You may receive a smaller refund – or even owe an unexpected tax – when you file your 2018 tax return, especially if you did not adjust your withholding after the withholding tables changed.
- You can read more detailed information about the changes in [Publication 5307](#), Tax Reform Basics for Individuals and Families.

Why is my tax refund smaller than expected or why do I owe unexpected tax?

Smaller refund: (*Can be used if taxpayer specifically ask why refund is smaller at time of tax preparation or after return is filed*)

- It is possible your refund is smaller because of the changes in the tax rates and you did not take the steps to adjust your withholding after the changes were made to the withholding tables. Other changes in the law that may affect your refund include the suspension of personal exemptions and the limiting or discontinuing of certain deductions.
- There are other reasons your refund amount is different from the tax return you filed. All or part of your refund may have been used (offset) to pay off past-due federal tax, state income tax, state unemployment compensation debts, child support, spousal support, or other federal nontax debts, such as student loans. To find out if you may

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have an offset or if you have questions about an offset, contact the agency to which you owe the debt.

- Your refund amount may also have changed because the IRS made changes to your tax return. You'll get a notice explaining the changes. *Where's My Refund?* will reflect the reasons for the change to your tax return and/or the refund amount you claimed.

Tax bill: (Can be used if taxpayer specifically asks why they have a tax bill)

- You are at risk of owing tax when you file if not enough tax is withheld by your employer throughout the year. This can also result in a penalty when you file your return. You are at a higher risk if you had too little tax withheld from your pay, itemized in the past, are a two-wage-income household, are an employee with non-wage sources of income, and/or you have complex tax situations.

I owe unexpected tax. Now what?

- You can pay at the time of filing up to and including the April filing deadline.
- If you can't pay the full amount of taxes you owe, don't panic. Submit your return on time and pay as much as you can with your tax return to minimize interest and penalty charges.
- The IRS offers several options to help you meet your tax obligations if you can't pay in full now.
- You can go to [IRS.gov/payments](https://www.irs.gov/payments) to check out your options.

What can I do to avoid having too little or too much withheld next year?

- The IRS encourages you to review your tax situation early and often.
- Review your withholding early in 2019 to help make sure you have the right amount of withholding.
- Use the IRS' [Withholding Calculator](https://www.irs.gov/individuals/irs-withholding-calculator) (<https://www.irs.gov/individuals/irs-withholding-calculator>) to check your withholding. The Withholding Calculator estimates your income tax and compares that estimate to your current tax withholding. Doing this will help you decide if you need to ask your employer to change your withholding.
- If you determine that you need to change your withholding after you use the Withholding Calculator you should fill out a new [Form W-4](https://www.irs.gov/pub/irs-pdf/fw4.pdf) (<https://www.irs.gov/pub/irs-pdf/fw4.pdf>), Employee's Withholding Allowance Certificate and submit it to your employer(s). Do not send Form W-4 to the IRS.
- If the amount of income tax withheld from your salary or pension is not enough, or if you receive income such as interest, dividends, alimony, self-employment income, capital gains, prizes and awards, you should consider making [estimated](#) or additional tax payments to avoid an unexpected tax bill and possibly a penalty.