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A Final Tax Chore for April

By Karen Damato



J. David Ake/Associated Press

If you're finished with your 2014 tax return, you may feel that epic annual struggle is behind you.

But there's at least one thing you should do before you file your tax paperwork away and get on with your life: Consider if you should adjust your withholding for 2015.

If you paid too little tax for 2014 through withholding (and through estimated taxes, if applicable) you may have been saddled with an underpayment penalty—not a happy thing when you already owe money to the Internal Revenue Service.

Conversely, a big refund for 2014 may have seemed like a gift of money out of the blue. But, of course, it wasn't. It just means you sent Uncle Sam more than you needed to and then got the excess back without any interest.

Some taxpayers use a big refund as a form of forced savings, "but it is really not the best way to do it," says Scott Bishop, a CPA and director of financial planning at STA Wealth Management in Houston. A better course for 2015, he says, would be to have less tax withheld from your pay and instead have those dollars automatically funneled into a retirement account.

If you use a professional tax preparer, Mr. Bishop suggests sitting down with that individual shortly after the April 15 filing deadline to review your withholding for the current calendar year.

There are other options for people who prepare their own taxes:

[IRS Form W-4 and its instructions](#). Workers use Form W-4 to tell employers how much federal tax to withhold from their pay. Depending on your circumstances, you may need to slog through three separate worksheets to come up with the right figures to put on your form.

[IRS withholding calculator](#). The IRS's online calculator is "more intuitive" than the W-4, which is a "stinky form," Mr. Bishop says.

Other calculators. [H&R Block](#) and Intuit's TurboTax unit, two big providers of tax-preparation software and services, both offer free calculators that are available to anyone (in addition to tools offered within their tax-preparation products). Find the [TurboTax tool here](#) and, for the [H&R Block tool](#), be sure to click on the "W-4 Calculator" tab.

Even if your tax withholding for 2014 was about right, you should review where you stand for this year if there have been any big changes in your life, such as a marriage or a new child, says Lisa Greene-Lewis, a CPA and tax expert at TurboTax.

The more data you put into a calculator, the more accurate the answer will be—although it can also feel painfully similar to doing your tax return all over again, says Jackie Perlman, principal tax research analyst for the Tax Institute at H&R Block.

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