

# TaxNewsFlash

## **United States**

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# Notice 2018-14: Withholding tax guidance, implementing new income tax law

The IRS today released an advance version of Notice 2018-14 as guidance concerning the tax withholding measures that are contained in the new U.S. tax law (Pub. L. No. 115-97). Among the tax law changes affecting the withholding tax rules are measures concerning itemized deductions, increases in the child tax credit, a new dependent credit, and repeal of dependent exemptions.

According to Notice 2018-14 [PDF 52 KB], the IRS is working on revising Form W-4, Employee's Withholding Allowance Certificate, to reflect the legislative changes of the new tax law.

Today's IRS notice states that the 2018 Form W-4 may not be released until after February 15, 2018. Until a new Form W-4 is issued, employees and employers are directed to continue to use the 2017 Form W-4.

### Withholding tax tables

The IRS previously announced this month that the 2018 withholding tax tables had been revised and updated. Employers were directed to begin using the 2018 withholding tables as soon as possible, although no later than February 15, 2018, and to continue to use the 2017 withholding tables until implementing the 2018 withholding tables. Read *TaxNewsFlash-United States* 

Today, Notice 2018-14 confirms that the withholding calculator will be revised to reflect the changes made by the new tax law and that when the modified calculator and 2018 Form W-4 are released, these can be used by employees who want to update their withholding in response to the new tax law or to reflect changes in their personal circumstances in 2018.

#### Overview

#### In brief, Notice 2018-14:

- Extends the effective period of Forms W-4 furnished to claim exemption from income tax withholding under Code section 3402(n) for 2017 until February 28, 2018
- Permits employees to claim an exemption from withholding for 2018 by temporarily using the 2017 Form W-4
- Temporarily suspends the requirement under section 3402(f)(2)(B)1 that employees must furnish their employers with new Forms W-4 within 10 days of changes in status that reduce the withholding allowances the employees are entitled to claim
- Confirms that the optional withholding rate on supplemental wage payments is 22% for 2018 through 2025
- Provides that, for 2018, withholding under section 3405(a)(4) on periodic payments when no withholding certificate is in effect, will be based on treating the payee as a married individual claiming three withholding allowances

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