**Tax Withholdings**

**Planning for your Taxes**

### What are tax withholdings?

Each pay period, your employer withholds a portion of your gross income from your pay check to help reduce your tax liability at the end of the year.

Tax withholdings are an important part of a tax collection system in which employers and employees remit a portion of their taxable income to the government. These taxes are used throughout the year (not just at tax time) to help pay for important programs!

### How much is withheld?

Your annual withholdings are based on a number of factors including your income, the number of allowances you claim, and any additional amount you elect to withhold during the year.

*You decide your withholding amount!*

### How do I receive a refund?

You will receive a refund if you over-withhold your estimated tax payments throughout the year. For example, if you withhold $2,500 and your tax payment for the year is only $500, then you can expect to receive a $2,000 refund!

### Why didn't I receive a refund?

One of the main reasons people owe taxes is because they under-withhold their estimated tax payments throughout the year. The IRS has a great tool to help you estimate the amount you should withhold to reduce your chances of owing money at year-end:


### Types of Withholdings

#### Wage Withholdings

The most common type of withholding comes from your monthly paycheck known as wage withholding. Each pay period, your employer remits a portion of your paycheck to the IRS to make tax payments on your behalf throughout the year. You can choose to withhold as little or as much in taxes as you’d like in order to help you better manage your year-end tax payment or liability.

Although it may be tempting to minimize your withholdings so that you receive more money in each paycheck today, under-withholding will likely leave you with a massive tax payment at the end of the year.

#### Withholdings on Investments

The IRS has approved a 24% withholding rate for income from interest on investments, dividends, commissions, fees, broker payments, royalties, and even gambling winnings to help taxpayers manage their year-end tax payments. If you over-withhold, you will receive a refund for the overpayment throughout the year.

#### Withholdings for Payments to Foreign Entities

Taxpayers working internationally should be aware that the foreign withholding rate is 30%. This rate is to account for any tax liabilities incurred in foreign countries. Most likely, withholding at this rate will result in a tax refund.