

## Potential Reasons for No or Reduced Tax Withholding

There are a variety of reasons that you may not have had any federal or state income tax withholding or if your withholding was reduced.

A few examples include:

### **Reason #1:**

The IRS and the State of Iowa made sweeping changes to employee withholding along with an updated federal W-4 form in 2020. The new Federal W-4 form reflects changes to the federal tax code due to the Tax Cuts and Jobs Act. The redesign was intended to have withholding match employee liability, however, in many cases, it resulted in reducing income tax withholding or not withholding any income taxes at all.

There are also minimum income thresholds that need to be met before any tax is withheld. You may not have had enough taxable wages to meet the threshold for tax withholding.

To offset an unintended reduction in or lack of withholding, you may choose to have additional withholding on step 4(c) of the federal W-4 form and on the Iowa W-4 form. As noted, the additional tax withholding is withheld each pay period.

### **Reason #2:**

Filing status makes a difference in payroll income tax calculations. A single filing status will generally have more taxes taken out than a married or head of household status.

If you indicated that you are married in step 1 of the federal W-4 form, you should also review step 2. It is important to indicate that there two household incomes, if appropriate, as that will result in a higher and perhaps more appropriate amount of withholding.

### **Reason #3:**

You indicated exempt from federal or state income tax withholding on the corresponding W-4 forms. Indicating exemption from withholding, doesn't exempt you from taxable wages. Your end of year W-2 will still include your taxable income.