

Turning next year's tax refund into cash in your pocket now

Published on May 2, 2017

Each year, millions of taxpayers claim an income tax refund. To be sure, receiving a payment from the IRS for a few thousand dollars can be a pleasant influx of cash. But it means you were essentially giving the government an interest-free loan for close to a year, which isn't the best use of your money.

Fortunately, there is a way to begin collecting your 2017 refund now: You can review the amounts you're having withheld and/or what estimated tax payments you're making, and adjust them to keep more money in your pocket during the year.

Reasons to modify amounts

It's particularly important to check your withholding and/or estimated tax payments if:

- You received an especially large 2016 refund;
- You've gotten married or divorced or added a dependent;
- You've purchased a home;
- You've started or lost a job; or
- Your investment income has changed significantly.

Even if you haven't encountered any major life changes during the past year, changes in the tax law may affect withholding levels, making it worthwhile to double-check your withholding or estimated tax payments.

Making a change

You can modify your withholding at any time during the year, or even several times within a year. To do so, you simply submit a new Form W-4 to your employer. Changes typically will go into effect several weeks after the new Form W-4 is submitted. For estimated tax payments, you can make adjustments each time quarterly payments are due.

While reducing withholdings or estimated tax payments will, indeed, put more money in your pocket now, you also need to be careful that you don't reduce them too much. If you don't pay enough tax during the year, you could end up owing interest and penalties when you file your return, even if you pay your outstanding tax liability by the April 2018 deadline.

© 2017

The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com