



# GMS Flash Alert



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## United States - Updated 2018 Withholding Table and Supplemental Wage Payments Withholding Rate

On January 11, 2018, the U.S. Internal Revenue Service (IRS) released<sup>1</sup> updated income tax withholding tables for 2018 that reflect changes made by the recently enacted tax reform legislation.<sup>2</sup> Employers should begin using the new 2018 withholding tables as soon as possible, but not later than February 15, 2018.

There are also some updates on the flat supplemental withholding rate for supplemental wages payments made to the employee during the calendar year that equal \$1 million or less and revision of Form W-4, *Employee's Withholding Allowance Certificate*.

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### WHY THIS MATTERS

The new U.S. tax law makes a number of changes for 2018 that affect individual taxpayers. The new withholding tables reflect the increase in the standard deduction, repeal of personal exemptions, and changes in tax rates and brackets, which will have an impact on individuals' paychecks and net income.

The IRS notice also clarifies the applicable supplemental withholding rate for supplemental wages paid during 2018.

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### More Details

In addition to providing updated withholding tables, the IRS notice announced that the flat supplemental withholding rate is 22 percent when all supplemental wages payments made to the employee during the calendar year equals \$1 million or less. If combined supplemental wage payments made during the 2018 calendar year exceed \$1 million, the excess is subject to withholding at 37 percent (the highest rate of income tax for the year).

The IRS is also working on revising Form W-4, *Employee's Withholding Allowance Certificate*, to reflect the new law such as changes in itemized deductions, increase in the child tax credit, the new dependent credit, and the repeal of

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dependent exemptions. Until the new form is issued, employees and employers should continue to use the 2017 Form W-4.

## FOOTNOTES:

1 IR-2018-5 (January 11, 2018).

2 [IRS Notice 1036](#) (Rev. January 2018). For information on the recently enacted U.S. tax law, see GMS [Flash Alert 2017-192](#) (December 22, 2017).

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