

MONEY MANAGEMENT**Facts on Tax Withholding and Why You Should Check Yours**

Reno - You wouldn't consider going to the grocery store each week, paying the cashier more than the actual cost of your bill, then asking for a refund at the end of the year. Yet this is what millions of Americans do when it comes to paying their tax bills. They allow the government to withhold more taxes than necessary from their paychecks, and request a refund at tax time. If you are in this group, it's time to check your withholding.

The Nevada Society of CPAs recommends that employees annually update their Form W-4, Employee's Withholding Allowance Certificate, to ensure that they are having the correct amount of federal income tax withheld from their paychecks. Overpaying the government means money that could be used to build your savings or pay off debt is languishing in the government's coffers — without earning you a nickel of interest. On the other hand, if you substantially underwithhold, you could face some stiff financial penalties.

The amount of taxes withheld from your salary throughout the year depends on the amount of your wages, your marital status, and the number of exemptions, the withholding allowances you claim and any additional amount of withholding you've requested. You provide this information on Form W-4, which you obtain from your employer.

On the Form W-4, you can choose to have your taxes withheld at a "single" rate or the lower "married" rate. You must claim "single" if you are single, married but legally separated, or if either you or your spouse is a nonresident alien.

Married individuals can claim either the married or single rate. If both you and your spouse work, or, if in addition to wage income, you have income from other sources — such as interest, dividends, alimony, capital gains, or rent — consider having your taxes withheld at the higher single rate. This will enable you to increase your taxes withheld for purposes of applying it to all your sources of income. You can also ask your employer to withhold an additional amount or claim fewer withholding allowances.

You may claim from zero to 10 allowances on Form W-4. The more allowances you claim, the less tax will be withheld from your paycheck. To avoid having too much tax withheld, you may want to claim withholding allowances for itemized deductions and credits for which you qualify, such as the credit for the elderly and totally disabled,

the dependent care credit, and the earned income credit (if you have not filed for an advance payment of the credit).

When filling out your W-4 form, you may claim exemptions for yourself, your spouse, and

dependents. Allowances for exemptions correspond to the exemption allowed on your tax return.

In addition, you may be eligible for a special withholding exemption. If you are unmarried

and have only one employer or are a married person who has one employer and your spouse is not employed, you may claim this exemption.

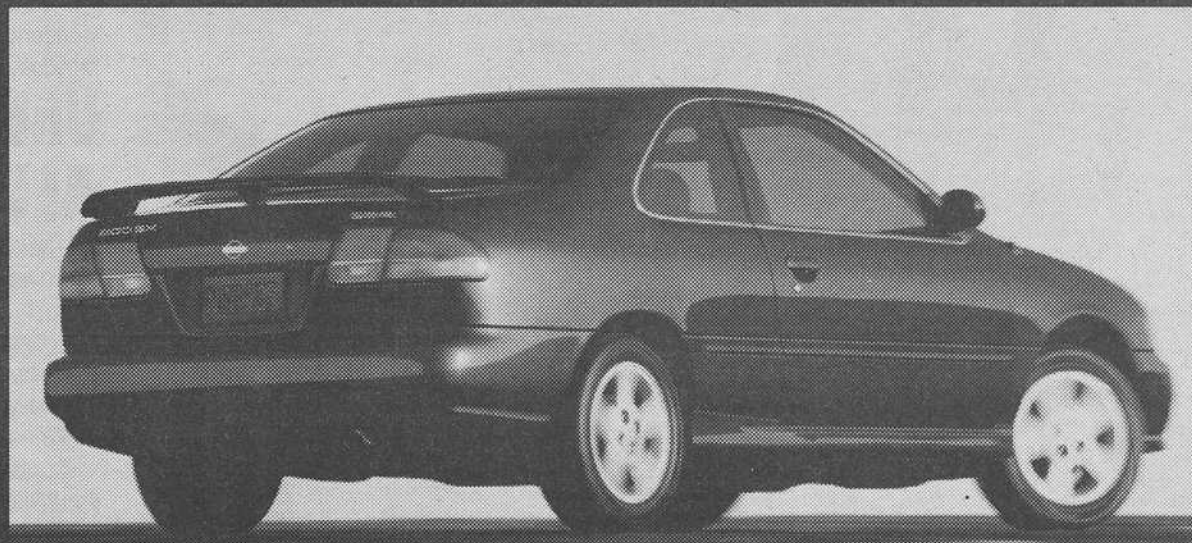
You also have the option of filing exempt from withholding.

Generally, you can claim exempt from withholding if you had no income tax liability in 1994 and expect none this year.

If you are subject to the new tax law changes, such as limitations on deductions of

business entertaining, you may need to adjust your withholding. So, too, should taxpayers who have had increases in adjusted gross income that result in the phase out of their itemized
(See Money Mgt, Page 17)

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