



May 1, 2011

## Controlling Your Tax Refund

Did you know that as at March 18, the IRS has already issued refunds to 64.6 million taxpayers amounting to \$193 billion? Each taxpayer received a sizable average of \$2,985 in tax refunds. Even those who put off filing their tax returns until the last minute will eventually receive their refunds. But there's no telling when your refunds will arrive. And when you are in need of some urgent cash, the longer you have to wait for refunds, the more difficult it is for you.

Wouldn't it be nice if you could control your tax refund? The best way to do that is not to have to rely on receiving your refund in the first place. The most sensible way to achieve that is to minimize the amount of refund you are entitled to, or better still, not have any refund at all.

Getting a tax refund is your choice to a large extent. However, the fact is that most taxpayers have their employers overwithhold on their income taxes. I'm sure you would not like the government to have interest-free use of your money. So if you wish to either overpay very little or not overpay your taxes at all, you need to make the correct withholding on your wages. Your goal should be to have your withholding be as close to your actual eventual tax bill as possible. Such payroll adjustments can help you can

get back the extra dollars as your correct income each pay period.

If you make your payroll adjustments to reduce your withholding, you might run into the possibility of paying less than your actual tax liability. That's okay provided you do not fall too far short. Owing the IRS a tiny sum each year would not trigger an audit or subject you to penalties and fines. This also applies to state taxes, by the way.

But if you end up owing the IRS too much, they might impose penalties and interest on you that will result in an increase in your tax liability. You are supposed to pay your taxes as you earn so the IRS has the authority to punish taxpayers who try to essentially pay their full annual tax debts in one lump sum each April.

If you have had a major life change such as marriage, having a child or buying a home, you should re-examine your withholding as you file a new W-4. The IRS has an online calculator to help you come up with the most accurate figures. And remember it is your right to determine the amount of withholding you wish to make. Plus you can change this amount as often as you like.