

# Publication 505

## Tax Withholding and Estimated Tax

For use in preparing  
**2025** Returns

Volume 1 of 3



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# Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. There are two ways to pay as you go.

- ***Withholding.*** If you are an employee, your employer probably withholds income tax from your pay. In addition, tax may be withheld from certain other income, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the IRS in your name.
- ***Estimated tax.*** If you don't pay your tax through withholding, or don't pay enough tax that way, you might have to pay estimated tax. People who are in business for themselves will generally have to pay their tax this way. You may have to pay estimated tax if you receive income such as dividends, interest, capital gains, rents, and royalties.

- Estimated tax is used to pay not only income tax, but other taxes such as self-employment tax and alternative minimum tax.

This publication explains both of these methods. It also explains how to take credit on your return for the tax that was withheld and for your estimated tax payments.

If you didn't pay enough tax during the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. Generally, the IRS can figure this penalty for you.

***Nonresident aliens.*** Before completing Form W-4, nonresident alien employees should see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens (Rev. January 2020), which provides nonresident aliens who are not exempt from withholding instructions for completing Form W-4, and the Instructions for Form 8233,

Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual. Also, see chapter 8 of Pub. 519.

***Final regulations on income tax withholding.*** Final regulations on income tax withholding were published in the Federal Register on October 6, 2020 (at 85 FR 63019). The regulations implement changes made by the Tax Cuts and Jobs Act and reflect the redesigned withholding certificate (Form W-4). See the regulations for detailed information on income tax withholding.

**Comments and suggestions.** We welcome your comments about this publication and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications.

**Don't** send tax questions, tax returns, or payments to the above address.

***Getting answers to your tax questions.*** If you have a tax question not answered by this publication or the *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at [IRS.gov/ Help/ITA](https://www.irs.gov/Help/ITA) where you can find topics by using the search feature or viewing the categories listed.

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## **What's New for 2025**

Use your 2024 tax return as a guide in figuring your 2025 estimated tax, but be sure to consider the following.

### **Standard deduction amount increased.**

For 2025, the standard deduction amount has been increased for all filers, and the amounts are as follows.

- Single or Married Filing Separately—\$15,000.
- Married Filing Jointly or Qualifying Surviving Spouse—\$30,000.
- Head of Household—\$22,500.

**Retirement savings contribution credit income limits increased.** In order to claim this credit for 2025, your MAGI must not be more than \$39,500 (\$79,000 if married filing jointly; \$59,250 if head of household).

**Adoption credit or exclusion.** The maximum adoption credit or exclusion for employer-provided adoption benefits has increased to \$17,280. In order to claim either the credit or exclusion, your MAGI must be less than \$299,190.

## **Reminders**

**Future developments.** The IRS has created a page on IRS.gov for information about Pub. 505 at [IRS.gov/Pub505](https://www.irs.gov/pub505). Information about any future developments affecting Pub. 505 (such as legislation enacted after we release it) will be posted on that page.

**Social security tax.** Generally, each employer for whom you work during the tax year must withhold social security tax up to the annual limit. The annual limit is \$176,100 in 2025.

**Form 1040-SS filers.** The Estimated Tax Worksheet for filers of Form 1040-SS is included on the Form 1040-ES. See Form 1040-ES and its instructions for more information.

**Expired individual taxpayer identification number (ITIN) and renewal.** If you have an ITIN that you haven't included on a tax return in the last 3 consecutive years, it may be expired and you may need to renew it. If your ITIN has expired and you don't have an SSN, you can make estimated tax payments before you renew your ITIN. To renew your ITIN, and for more information, see the Instructions for Form W-7.

**Advance payments of the premium tax credit.** If you buy health insurance through the Health Insurance Marketplace, you may be eligible to have advance payments of the premium tax credit paid on your behalf to the insurance company. Receiving too little or too much in advance will affect your refund or balance due. Promptly report changes in your income or family size to your Marketplace. See Form 8962 and its instructions for more information.

**Additional Medicare Tax.** Generally, a 0.9% Additional Medicare Tax applies to Medicare wages, Railroad Retirement Tax Act compensation, and self-employment income over \$200,000 if you are filing as single, head of household, or qualifying surviving spouse; over \$250,000 if you are married filing jointly; and over \$125,000 if you are married filing separately.

You may need to include this amount when figuring your estimated tax. You may also request that your employer deduct and withhold an additional amount of income tax withholding from your wages on Form W-4.

**Net Investment Income Tax (NIIT).** You may be subject to NIIT. NIIT is a 3.8% tax on the lesser of net investment income or the excess of your MAGI over \$200,000 (\$250,000 if married filing jointly or qualifying surviving spouse; \$125,000 if married filing separately). NIIT may need to be included when figuring estimated tax. You may also request that your employer deduct and withhold an additional amount of income tax withholding from your wages on Form W-4.

**Access your online account.** Go to [IRS.gov/ Account](https://www.irs.gov/Account) to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.

- See payment plan details or apply for a new payment plan.
- Make a payment, view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, your economic impact payment amounts, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- Update your address or manage your communication preferences.

**Photographs of missing children.** The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#).

Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 800-THE-LOST (800-843-5678) if you recognize a child.

# **1.**

## **Tax Withholding for 2025**

### **Introduction**

This chapter discusses income tax withholding on:

- Salaries and wages,
- Tips,
- Taxable fringe benefits,
- Sick pay,
- Pensions and annuities,
- Gambling winnings,

- Unemployment compensation, and
- Certain federal payments.

This chapter explains in detail the rules for withholding tax from each of these types of income. The discussion of salaries and wages includes an explanation of how to complete Form W-4.

This chapter also covers backup withholding on interest, dividends, and other payments.

## **Useful Items**

You may want to see:

### **Form (and Instructions)**

- ☐ **W-4** W-4 Employee's Withholding Certificate
- ☐ **W-4P** W-4P Withholding Certificate for Periodic Pension or Annuity Payments
- ☐ **W-4R** W-4R Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions



- ❑ **W-4S** W-4S Request for Federal Income Tax Withholding From Sick Pay
- ❑ **W-4V** W-4V Voluntary Withholding Request

See *How To Get Tax Help* at the end of this publication for information about getting these publications and forms.

## **Salaries and Wages**

Income tax is withheld from the pay of most employees. Your pay includes your regular pay, bonuses, commissions, and vacation allowances. It also includes reimbursements and other expense allowances paid under a nonaccountable plan. See *Supplemental Wages*, later, for definitions of accountable and nonaccountable plans.

If your income is low enough that you won't have to pay income tax for the year, you may be exempt from withholding. This is explained under *Exemption From Withholding*, later.

You can ask your employer to withhold income tax from noncash wages and other wages not subject to withholding. If your employer does not agree to withhold tax, or if not enough is withheld, you may have to pay estimated tax, as discussed in chapter 2.

**Military retirees.** Military retirement pay is treated in the same manner as regular pay for income tax withholding purposes, even though it is treated as a pension or annuity for other tax purposes.

**Household workers.** If you are a household worker, you can ask your employer to withhold income tax from your pay. A household worker is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

Tax is withheld only if you want it withheld and your employer agrees to withhold it.

If you don't have enough income tax withheld, you may have to pay estimated tax, as discussed in chapter 2.

**Farmworkers.** Generally, income tax is withheld from your cash wages for work on a farm unless your employer both:

- Pays you cash wages of less than \$150 during the year, and
- Has expenditures for agricultural labor totaling less than \$2,500 during the year.

**Differential wage payments.** When employees are on leave from employment for military duty, some employers make up the difference between the military pay and civilian pay. Payments to an employee who is on active duty for a period of more than 30 days will be subject to income tax withholding, but not subject to social security or Medicare taxes. The wages and withholding will be reported on Form W-2, Wage and Tax Statement.

# **Determining Amount of Tax Withheld Using Form W-4**

The amount of income tax your employer withholds from your regular pay depends on three things.

- The amount you earn in each payroll period.
- Your payroll period.
- The information you give your employer on Form W-4.

Form W-4 includes four steps that will give information to your employer to figure your withholding. Complete Steps 2 through 4 only if they apply to you.

**Step 1.** Enter your personal information, including your anticipated filing status. Your anticipated filing status will determine the standard deduction and tax rates used to figure your withholding.

**Step 2.** Complete this step if you (1) hold more than one job at a time, or (2) are married and plan to file a joint return and your spouse also works.



*If you or your spouse have another job, complete Steps 3 through 4(b) on only one Form W-4. Your withholding will be most accurate if you do this on the Form W-4 for the highest paying job.*

**Step 3.** Complete this step if you have dependents and think you may be eligible to claim the child tax credit or credit for other dependents on your tax return. Also, complete this step if you want to include an estimate of your other tax credits (for example, an education credit or the foreign tax credit).

**Step 4.** Complete this optional step to make other adjustments.

- Other income (not from jobs).

- Deductions (other than the standard deduction).
- Any additional amounts you want to withhold from each check.

## **New Job**

When you start a new job, you must fill out a Form W-4 and give it to your employer. Your employer should have copies of the form. If you need to change the information later, you must fill out a new form.

If you work only part of the year (for example, you start working after the beginning of the year), too much tax may be withheld. You may be able to avoid overwithholding if your employer agrees to use the part-year method. See *Part-Year Method*, later, for more information.

## **Employee also receiving pension income.**

If you receive pension or annuity income and begin a new job, you will need to file Form W-

4 with your new employer. You should also consider furnishing a new Form W-4P.

## **Changing Your Withholding**

During the year, changes may occur to your marital status, adjustments, deductions, or credits you expect to claim on your tax return. When this happens, you may need to give your employer a new Form W-4 to change your withholding.

If a change in personal circumstances reduces the amount of withholding you are entitled to claim, you are required to give your employer a new Form W-4 within 10 days after the change occurs.

The following rules apply in determining whether you are required to furnish a new Form W-4 to your employer.

**Change of status resulting in withholding less than your tax liability.** If you have one of the changes in the following bullet list and you won't have enough tax withheld for the

remainder of 2025 to cover your income tax liability for 2025, you are required to furnish a new Form W-4 to your employer within 10 days after the date of the change.

- Your filing status changes from Married Filing Jointly (or Qualifying Surviving Spouse) to Head of Household or Single (or Married Filing Separately) or from Head of Household to Single (or Married Filing Separately).
- You or your spouse start another job, and you chose to use the Multiple Jobs Worksheet or the Tax Withholding Estimator to account for your other job in determining your withholding.
- You or your spouse start another job, and as a result file a new 2025 Form W-4, and you or your spouse select the checkbox in Step 2(c) (in this case, you must furnish a new Form W-4 for your first job and select the checkbox in Step 2(c)).



- You or your spouse expect a raise of more than \$10,000 in regular wages (not a bonus) at a second or third job, and the Form W-4, Step 2(c), checkbox is not selected on your Forms W-4.
- You no longer expect to be able to claim a Child Tax Credit you took into account on a previously furnished Form W-4.
- Your other credits you took into account on a previously furnished Form W-4 decrease by more than \$500.
- Your deductions decrease by more than \$2,300 from the amount you took into account on a previously furnished Form W-4.
- You no longer reasonably expect to claim exemption from withholding.

**Change of status resulting in withholding that will cover your tax liability.** If you have a change of status listed in the previous section, you don't have to furnish a new

Form W-4 for 2025 if after the change you will have enough tax withheld for the remainder of 2025 to cover your income tax liability. However, if you will have enough tax withheld for 2025 to cover your income tax liability after a change or changes in status, but your filing status changes from Married Filing Jointly (or Qualifying Surviving Spouse) to Head of Household or to Single (or Married Filing Separately) or from Head of Household to Single (or Married Filing Separately) during 2025, you are required to furnish your employer a new Form W-4 for 2026 by December 1, 2025, or, if later, 10 days after the date of the change in filing status, to take effect in 2026.

Otherwise, if you want to change your withholding for any other reason, you can generally do that whenever you wish. See Table 1-1 for examples of personal and financial changes you should consider.

**Table 1-1. Personal and Financial Changes**

<b>Factor</b>	<b>Examples</b>
<b>Lifestyle change</b>	<p>Marriage</p> <p>Divorce</p> <p>Birth or adoption of child</p> <p>Purchase of a new home</p> <p>Retirement</p> <p>Filing chapter 11 bankruptcy</p>
<b>Wage income</b>	<p>You or your spouse start or stop working, or start or stop a second job</p>
<b>Change in the amount of taxable income not subject to withholding</b>	<p>Interest income</p> <p>Dividends</p> <p>Capital gains</p> <p>Self-employment income</p> <p>IRA (including certain Roth IRA) distributions</p>

<b>Change in the amount of adjustments to income</b>	IRA deduction Student loan interest deduction Alimony expense
<b>Change in the amount of itemized deductions or tax credits</b>	Medical expenses Taxes Interest expense Gifts to charity Dependent care expenses Education credit Child tax credit Earned income credit

If you change the amount of your withholding, you can request that your employer withhold using the Cumulative Wage Method, later.

## Checking Your Withholding

After you have given your employer a Form W-4, you can check to see whether the amount of tax withheld from your pay is too much or too little. If too much or too little tax is being withheld, you should give your employer a new Form W-4 to change your withholding. You can get a blank Form W-4 from your employer or print the form from IRS.gov.



*You can use the Tax Withholding Estimator at [IRS.gov/W4App](https://www.irs.gov/W4App) instead of the worksheets in this publication or included with Form W-4 to determine whether you need to have your withholding increased or decreased.*

You should try to have your withholding match your actual tax liability. If not enough tax is withheld, you will owe tax at the end of the year and may have to pay interest and a penalty.

If too much tax is withheld, you will lose the use of that money until you get your refund. Always check your withholding if there are personal or financial changes in your life or changes in the law that might change your tax liability. See Table 1-1 for examples.

**Note.** You can't give your employer a payment to cover federal income tax withholding on salaries and wages for past pay periods or a payment for estimated tax.

## **When Should You Check Your Withholding?**

The earlier in the year you check your withholding, the easier it is to get the right amount of tax withheld.

You should check your withholding when any of the following situations occur.

1. You receive a paycheck stub (statement) covering a full pay period in 2025 showing tax withheld based on 2025 tax rates.

2. You prepare your 2024 tax return and get a:
  - a. Big refund, or
  - b. Balance due that is:
    - i. More than you can comfortably pay, or
    - ii. Subject to a penalty.
3. There are changes in your life or financial situation that affect your tax liability. See Table 1-1.
4. There are changes in the tax law that affect your tax liability.

## **How Do You Check Your Withholding?**

You can use the worksheets and tables in this publication to see if you are having the right amount of tax withheld. You can also use the Tax Withholding Estimator at [IRS.gov/W4App](https://www.irs.gov/W4App). If you use the worksheets and tables in this publication, follow these steps.

1. Fill out Worksheet 1-3 to project your total federal income tax liability for 2025.
2. Fill out Worksheet 1-5 to project your total federal withholding for 2025 and compare that with your projected tax liability from Worksheet 1-3.

If you are not having the correct amount of tax withheld, line 6 of Worksheet 1-5 will show you how to adjust the amount withheld each payday. For ways to increase the amount of tax withheld, see *How Do You Increase Your Withholding*, later.

If line 5 of Worksheet 1-5 shows that you are having more tax withheld than necessary, see *How Do You Decrease Your Withholding*, later, for ways to decrease the amount of tax you have withheld each payday.

Detailed instructions for completing a new Form W-4 to adjust your withholding follow Worksheet 1-5.



## **How Do You Increase Your Withholding?**

You can increase your withholding by entering an additional amount that you want withheld from each paycheck on Form W-4.

**Requesting an additional amount be withheld.** You can request that an additional amount be withheld from each paycheck by entering the additional amount in Step 4(c) of Form W-4. To see if you should request an additional amount be withheld, complete Worksheets 1-3 and 1-5. Complete a new Form W-4 if the amount on Worksheet 1-5, line 5:

1. Is more than you want to pay with your tax return or in estimated tax payments throughout the year, or
2. Would cause you to pay a penalty when you file your tax return for 2025.

**What if I have more than one job or my spouse also has a job?** You are more likely to need to increase your withholding if you

have more than one job or if you are married filing jointly and your spouse also works. If this is the case, you can increase your withholding for one or more of the jobs.

You can apply the amount on Worksheet 1-5, line 5, to only one job or divide it between the jobs any way you wish. For each job, determine the extra amount that you want to apply to that job and divide that amount by the number of paydays remaining in 2025 for that job. This will give you the additional amount to enter on the Form W-4 you will file for that job. You need to give your employer a new Form W-4 for each job for which you are changing your withholding.

**Example.** You work in a store and earn \$46,000 a year. Your spouse works in a factory, earns \$68,000 a year, and has 49 pay periods left. In 2025, you will also have \$184 in taxable interest and \$1,000 of other taxable income. You expect to file a joint income tax return.

You and your spouse complete Worksheets 1-3, 1-4, and 1-5. Line 5 of Worksheet 1-5 shows that you will owe an additional \$4,459 after subtracting your withholding for the year. You can divide the \$4,459 any way you want. You can enter an additional amount on either of your Forms W-4, or divide it between the two of you. You decide to have the additional amount withheld from your spouse's wages, so your spouse enters \$91 ( $\$4,459 \div 49$  remaining paydays) on their Form W-4 in Step 4(c).

## **How Do You Decrease Your Withholding?**

If your completed Worksheets 1-3 and 1-5 show that you may have more tax withheld than your projected tax liability for 2025, you may be able to decrease your withholding by following the instructions in Worksheet 1-5.

## **Tax Credits**

Table 1-2 shows many of the tax credits you may be able to use to decrease your

withholding. For a complete list of credits you may be able to claim, see the 2024 Instructions for Form 1040.

Step 3 of Form W-4 provides instructions for determining the amount of the child tax credit and the credit for other dependents. You can also include other tax credits in Step 3 of Form W-4. To do so, complete Worksheet 1-6 and add the amount from line 11 of that worksheet to the amount you are entering for other dependents in Step 3 of Form W-4. Including these credits will increase your paycheck and reduce the amount of any refund you may receive when you file your tax return.

**Table 1-2. Tax Credits for 2025**

<b>For more information about the...</b>	<b>See...</b>
Adoption credit	Instructions for Form 8839
Credit for child and dependent care expenses	Pub. 503, Child and Dependent Care Expenses
Child tax credit (including the additional child tax credit)	2024 Instructions for Schedule 8812 (Form 1040)
Credit for other dependents	2024 Instructions for Schedule 8812 (Form 1040)
Earned income credit	Pub. 596, Earned Income Credit (EIC)
Education credits	Pub. 970, Tax Benefits for Education
Credit for the elderly or the disabled	Pub. 524, Credit for the Elderly or the Disabled
Foreign tax credit (except any credit that applies to wages not subject to U.S. income tax withholding because they are subject to income tax withholding by a foreign country)	Pub. 514, Foreign Tax Credit for Individuals
General business credit	Form 3800, General Business Credit
Mortgage interest credit	Pub. 530, Tax Information for Homeowners
Qualified electric vehicle credit	Form 8834
Credit for prior year minimum tax (if you paid alternative minimum tax in an earlier year)	Instructions for Form 8801
Retirement savings contributions credit (saver's credit)	Pub. 590-A, Contributions to Individual Retirement Arrangements (IRAs)
Credit to holders of tax credit bonds	Instructions for Form 8912
Premium tax credit	Pub. 974, Premium Tax Credit (PTC)

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## **When Will Your New Form W-4 Go Into Effect?**

If the change is for the current year, your employer must put your new Form W-4 into effect no later than the start of the first payroll period ending on or after the 30th day after the day on which you give your employer your revised Form W-4.

If the change is for next year, your new Form W-4 won't take effect until next year.

## **Form W-4P**

When you first began receiving your pension, you told the payer how much tax to withhold, if any, by completing Form W-4P, Withholding Certificate for Pension or Annuity Payments (or similar form). However, if your retirement pay is from the military or certain deferred compensation plans, you completed Form W-4 instead of Form W-4P. You completed either form based on your projected income at that time.

If you are returning to the workforce, your new Form W-4 (given to your employer) and your Form W-4 or W-4P (on file with your pension plan) must work together to determine the correct amount of withholding for your new amount of income.

Form W-4P includes four steps that will give information to the payer of your pension or annuity for how to figure your withholding. Complete Steps 2 through 4 only if they apply to you.

**Step 1.** Enter your personal information, including your anticipated filing status. Your anticipated filing status will determine the standard deduction and tax rates used to figure your withholding.

**Step 2.** Complete this step if you (1) have income from a job or more than one pension/annuity, and/or (2) are married filing jointly and your spouse receives income from a job or a pension/annuity.





*If you (or if married filing jointly, you and/or your spouse) have a job(s), don't complete Steps 3 through 4b on Form W-4P. Instead, complete Steps 3 through 4b on the Form W-4 for the job. If you (or if married filing jointly, you and your spouse) don't have a job, complete Steps 3 through 4b on Form W-4P for only the pension or annuity that pays the most annually. Leave those steps blank for the other pensions or annuities.*

**Step 3.** Complete this step if you have dependents and think you may be eligible to claim the child tax credit or credit for other dependents on your tax return. Also, complete this step if you want to include an estimate of your other tax credits (for example, an education credit or the foreign tax credit).

**Step 4.** Complete this optional step to make other adjustments.

- Other estimated income (Step 4a).

- Deductions (other than the standard deduction)(Step 4b) you expect to claim. Use the Step 4(b)—Deductions Worksheet in the instructions for Form W-4P to help you determine the amount to enter on line 4b.
- Any additional amounts you want to withhold from each payment (Step 4c).

**Note.** If you don't give Form W-4P to your payer, you don't provide an SSN, or the IRS notifies the payer that you gave an incorrect SSN, then the payer will withhold tax from your payments as if your filing status is single with no adjustments in Steps 2 through 4. For payments that began before 2025, your current withholding election (or your default rate) remains in effect unless you submit a new Form W-4P.

And remember, this isn't a final decision. If you don't get the correct amount of withholding with the first Forms W-4 and W-4P you submit, you should refigure your

withholding using the information and worksheets in this publication, or the resources mentioned above.

You should go through this same process each time your life situation changes, whether it be for personal or financial reasons. You may need more tax withheld, or you may need less.

## **Getting the Right Amount of Tax Withheld**

In most situations, the tax withheld from your pay will be close to the tax you figure on your return if you follow these two rules.

- You accurately complete all the Form W-4 worksheets that apply to you.
- You give your employer a new Form W-4 when changes occur.

But because the worksheets and withholding methods don't account for all possible situations, you may not be getting the right

amount withheld. This is most likely to happen in the following situations.

- You are married and both you and your spouse work.
- You have more than one job at a time.
- You have nonwage income, such as interest, dividends, alimony, or unemployment compensation.
- You will owe additional amounts with your return.
- Your withholding is based on obsolete Form W-4 information for a substantial part of the year.
- You work only part of the year.
- You change the amount of your withholding during the year.
- You are subject to Additional Medicare Tax or NIIT. If you anticipate liability for Additional Medicare Tax or NIIT,

you may request that your employer withhold an additional amount of income tax withholding on Form W-4.

If any of these situations apply to you, you can use the Tax Withholding Estimator at [IRS.gov/W4App](https://irs.gov/W4App) to see if you need to change your withholding.

If you have self-employment income or owe self-employment tax, you should use the worksheets in this publication to determine if you should pay estimated tax.

## **Part-Year Method**

If you work only part of the year and your employer agrees to use the part-year withholding method, less tax will be withheld from each wage payment than would be withheld if you worked all year. To be eligible for the part-year method, you must meet both of the following requirements.

- You must use the calendar year (the 12 months from January 1 through December

31) as your tax year. You can't use a fiscal year.

- You must not expect to be employed for more than 245 days during the year. To figure this limit, count all calendar days that you are employed (including weekends, vacations, and sick days) beginning with the first day you are on the job for pay and ending with your last day of work. If you are temporarily laid off for 30 days or less, count those days too. If you are laid off for more than 30 days, don't count those days. You won't meet this requirement if you begin working before May 1 and expect to work for the rest of the year.

### **How to apply for the part-year method.**

You must ask your employer in writing to use this method. The request must state all three of the following.

- The date of your last day of work for any prior employer during the current calendar year.
- That you don't expect to be employed more than 245 days during the current calendar year.
- That you use the calendar year as your tax year.

## **Cumulative Wage Method**

If you change your withholding during the year, too much or too little tax may have been withheld for the period before you made the change. You may be able to compensate for this if your employer agrees to use the cumulative wage withholding method for the rest of the year. You must ask your employer in writing to use this method.

To be eligible, your payroll periods (weekly, biweekly, etc.) must have been the same since the beginning of the year.

## **Aids for Figuring Your Withholding**

**Tax Withholding Estimator.** If you are concerned that you may be having too much or too little income tax withheld from your pay, the IRS provides a withholding estimator on its website. Go to [IRS.gov/W4App](https://www.irs.gov/W4App). It can help you determine the correct amount to be withheld any time during the year.

## **Rules Your Employer Must Follow**

It may be helpful for you to know some of the withholding rules your employer must follow. These rules can affect how to fill out your Form W-4 and how to handle problems that may arise.

**New Form W-4.** When you start a new job, your employer should give you a Form W-4 to fill out. Beginning with your first payday, your employer will use the information you give on the form to figure your withholding.



If you later fill out a new Form W-4, your employer can put it into effect as soon as possible. The deadline for putting it into effect is the start of the first payroll period ending 30 or more days after you turn it in.

**No Form W-4.** If you don't give your employer a Form W-4, your employer should treat you as though you checked the box for Single or Married filing separately in Step 1(c) and made no entries in Step 2, Step 3, or Step 4 of the 2025 Form W-4.

**Repaying withheld tax.** If you find you are having too much tax withheld because you didn't account for all your dependents or deductions you are entitled to, you should give your employer a new Form W-4. Your employer can't repay any of the tax previously withheld. Instead, claim the full amount withheld when you file your tax return.

However, if your employer has withheld more than the correct amount of tax for the Form W-4 you have in effect, you don't have to fill out a new Form W-4 to have your withholding lowered to the correct amount. Your employer can repay the amount that was withheld incorrectly. If you are not repaid, your Form W-2 will reflect the full amount actually withheld, which you would claim when you file your tax return.

**IRS review of your withholding.** Your withholding or any claim for a complete exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of the Form W-4 to the IRS. There is a penalty for supplying false information on Form W-4. See *Penalties*, later.

If the IRS determines that you have overstated your withholding or can't claim a complete exemption from withholding,

the IRS will issue a notice that specifies the withholding arrangement permitted for the employee (commonly referred to as a “lock-in letter”) to both you and your employer.

The IRS will provide a period of time during which you can dispute the determination before your employer adjusts your withholding. If you believe that you are entitled to claim complete exemption from withholding or that the IRS determination was otherwise incorrect, you must submit a new Form W-4 and a written statement to support your claims made on Form W-4 that would decrease federal income tax withholding to the IRS. Contact information (a toll-free number and an IRS office address) will be provided in the lock-in letter. At the end of this period, if you haven’t responded or if your response isn’t adequate, your employer will be required to withhold based on the original lock-in letter.

After the lock-in letter takes effect, your employer must withhold tax on the basis of the withholding rate (marital status) and maximum withholding specified in that letter.

If you later believe that you are entitled to claim exemption from withholding or otherwise adjust your withholding, you can complete a new Form W-4 and a written statement to support the claims made on the Form W-4 and send them directly to the IRS address shown on the lock-in letter. Your employer must continue to figure your withholding on the basis previously determined by the IRS until the IRS advises your employer otherwise.

At any time, either before or after the lock-in letter becomes effective, you may give your employer a new Form W-4 that does not claim complete exemption from withholding and results in more income tax withheld than specified in the lock-in letter.

Your employer must then withhold tax based on this new Form W-4.

Additional information is available at IRS.gov. Enter *withholding compliance* [\*questions\*](#) in the search box.

## **Exemption From Withholding**

If you claim exemption from withholding, your employer won't withhold federal income tax from your wages. The exemption applies only to income tax, not to social security or Medicare tax.

You can claim exemption from withholding for 2025 only if both of the following situations apply.

- For 2024, you had a right to a refund of all federal income tax withheld because you had no tax liability.
- For 2025, you expect a refund of all federal income tax withheld because you expect to have no tax liability.

Use Figure 1-A to help you decide whether you can claim exemption from withholding.

Don't use Figure 1-A if you:

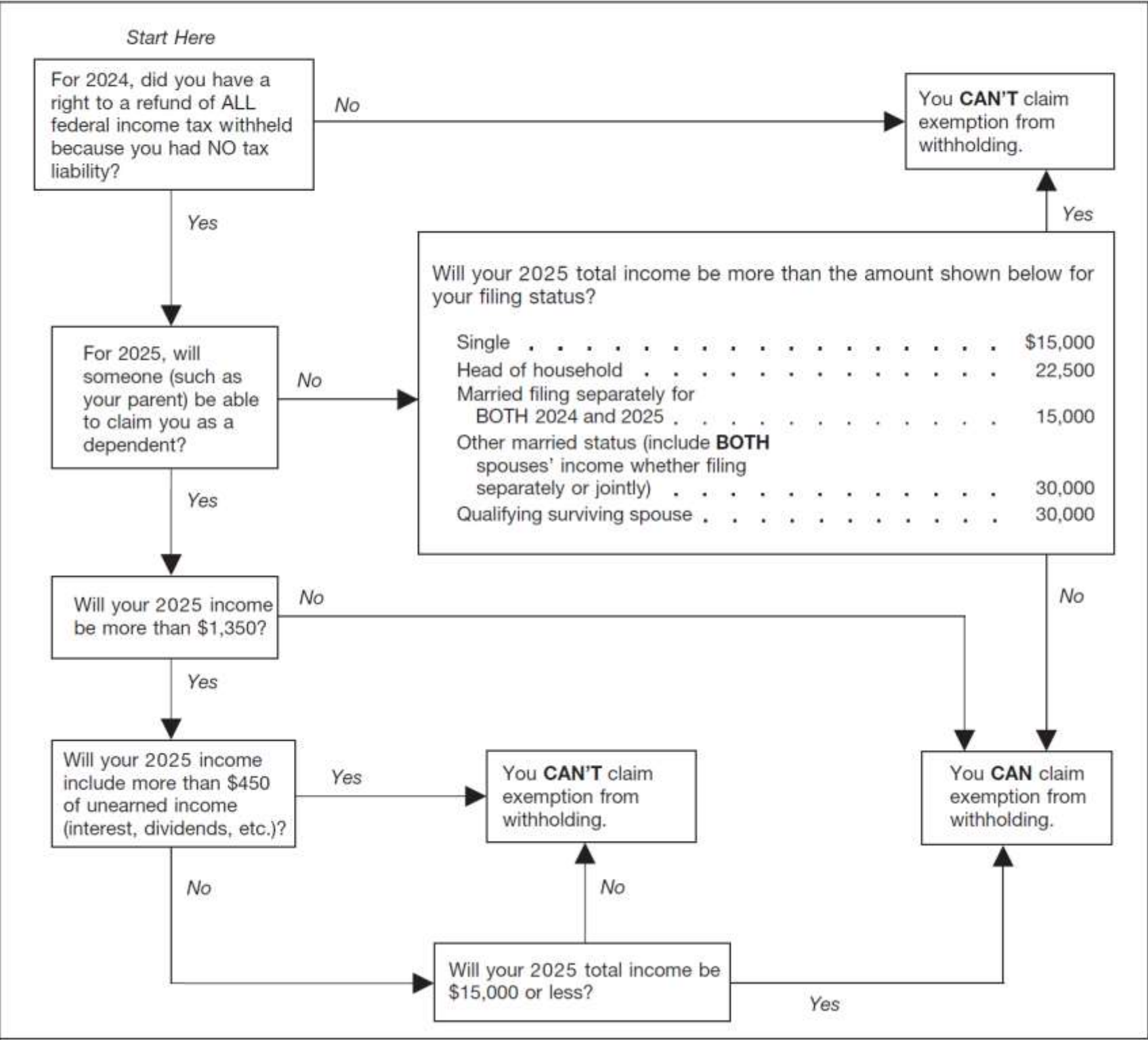
- Are 65 or older,
- Are blind,
- Will itemize deductions on your 2025 return, or
- Will claim any tax credits on your 2025 return.

These situations are discussed later.

**Students.** If you are a student, you are not automatically exempt. If you work only part time or during the summer, you may qualify for exemption from withholding.

Figure 1-A. Exemption From Withholding on Form W-4

**Note.** Don't use this chart if you are 65 or older or blind, or if you will itemize your deductions or claim tax credits. Instead, see the discussions in this chapter under *Exemption From Withholding*. If none of these situations apply to you, but you have adjustments to income, use the 2025 Estimated Tax Worksheet.



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**Example 1.** You are a high school student and expect to earn \$2,500 from a summer job. You don't expect to have any other income during the year, and your parents will be able to claim you as a dependent on their tax return. You worked last summer and had \$375 federal income tax withheld from your pay. The entire \$375 was refunded when you filed your 2024 return. Using Figure 1-A, you find that you can claim exemption from withholding.

**Example 2.** The facts are the same as in *Example 1*, except that you also have a savings account and expect to have \$475 interest income during the year. Using Figure 1-A, you find that you can't claim exemption from withholding because your unearned income will be more than \$450 and your total income will be more than \$1,350.



*You may have to file a tax return, even if you are exempt from withholding.*

*See Pub. 501 to see whether you must file a return.*



**Age 65 or older or blind.** If you are 65 or older or blind, use Worksheet 1-1 or Worksheet 1-2 to help you decide whether you can claim exemption from withholding. Don't use either worksheet if you will itemize deductions or claim tax credits on your 2025 return. Instead, see *Itemizing deductions or claiming credits* next.

### **Itemizing deductions or claiming credits.**

If you had no tax liability for 2024, and you will:

- Itemize deductions, or
- Claim a tax credit,

use Worksheet 2-1 (also, see chapter 2) to figure your 2025 expected tax liability. You can claim exemption from withholding only if

your total expected tax liability (line 11c of the work- sheet) is zero.

**Claiming exemption from withholding.** To claim exemption, you must give your employer a Form W-4. Write “Exempt” on the form in the space below Step 4(c) and complete Steps 1(a), 1(b), and 5. Don’t complete any other steps.

If you claim exemption, but later your situation changes so that you will have to pay income tax after all, you must file a new Form W-4 within 10 days after the change. If you claim exemption in 2025 but you expect to owe income tax for 2026, you must file a new Form W-4 by December 1, 2025.

Your claim of exempt status may be reviewed by the IRS. See *IRS review of your withholding*, earlier.

***An exemption is good for only 1 year.*** You must give your employer a new Form W-4 by February 15 each year to continue your exemption.

## **Supplemental Wages**

Supplemental wages include bonuses, commissions, overtime pay, vacation allowances, certain sick pay, and expense allowances under certain plans. The payer can figure withholding on supplemental wages using the same method used for your regular wages. However, if these payments are identified separately from regular wages, your employer or other payer of supplemental wages can withhold income tax from these wages at a 22% flat rate under certain circumstances, as explained in the section on supplemental wages in Pub. 15.

**Expense allowances.** Reimbursements or other expense allowances paid by your employer under a nonaccountable plan are treated as supplemental wages.

A nonaccountable plan is a reimbursement arrangement that does not require you to account for, or prove, your business expenses to your employer or does not require you to return your employer's payments that are more than your proven expenses.

Reimbursements or other expense allowances paid under an accountable plan that are more than your proven expenses are treated as paid under a nonaccountable plan if you don't return the excess payments within a reasonable period of time.

**Accountable plan.** To be an accountable plan, your employer's reimbursement or allowance arrangement must include all three of the following rules.

- Your expenses must have a business connection. That is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.

- You must adequately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

An excess reimbursement or allowance is any amount you are paid that is more than the business-related expenses that you adequately accounted for to your employer.

The definition of reasonable period of time depends on the facts and circumstances of your situation. However, regardless of those facts and circumstances, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You receive an advance within 30 days of the time you have an expense.

- You adequately account for your expenses within 60 days after they were paid or incurred.
- You return any excess reimbursement within 120 days after the expense was paid or incurred.
- You are given a periodic statement (at least quarterly) that asks you to either return or adequately account for outstanding advances and you comply within 120 days of the statement.

**Nonaccountable plan.** Any plan that does not meet the definition of an accountable plan is considered a nonaccountable plan.

For more information about accountable and nonaccountable plans, see chapter 6 of Pub. 463.

## **Penalties**

You may have to pay a penalty of \$500 if both of the following apply.

- You make statements on your Form W-4 that reduce the amount of tax withheld.
- You have no reasonable basis for those statements at the time you prepare your Form W-4.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount withheld. The penalty upon conviction can be either a fine of up to \$1,000 or imprisonment for up to 1 year, or both.

These penalties will apply if you deliberately and knowingly falsify your Form W-4 in an attempt to reduce or eliminate the proper withholding of taxes. A simple error or an honest mistake won't result in one of these penalties.

## **Tips**

The tips you receive while working on your job are considered part of your pay.



You must include your tips on your tax return on the same line as your regular pay.

However, tax isn't withheld directly from tip income, as it is from your regular pay.

Nevertheless, your employer will take into account the tips you report when figuring how much to withhold from your regular pay.

**Reporting tips to your employer.** If you receive tips of \$20 or more in a month while working for any one employer, you must report to your employer the total amount of tips you receive on the job during the month. The report is due by the 10th day of the following month.

If you have more than one job, make a separate report to each employer. Report only the tips you received while working for that employer, and only if they total \$20 or more for the month.

**How employer figures amount to withhold.** The tips you report to your employer are counted as part of your income for the month you report them. Your employer can figure your withholding in either of two ways.

- By withholding at the regular rate on the sum of your pay plus your reported tips.
- By withholding at the regular rate on your pay plus a percentage of your reported tips.

**Not enough pay to cover taxes.** If your regular pay isn't enough for your employer to withhold all the tax (including income tax and social security and Medicare taxes (or the equivalent railroad retirement tax)) due on your pay plus your tips, you can give your employer money to cover the shortage.

If you don't give your employer money to cover the shortage, your employer first withholds as much Medicare tax and social

security or railroad retirement tax as possible, up to the proper amount, and then withholds income tax up to the full amount of your pay. If not enough tax is withheld, you may have to pay estimated tax. When you file your return, you may also have to pay any Medicare and social security tax or railroad retirement tax your employer could not withhold.

**Tips not reported to your employer.** On your tax return, you must report all the tips you receive during the year, even tips you don't report to your employer (this includes the value of any noncash tips you received, such as tickets, passes, or other items of value). Make sure you are having enough tax withheld, or are paying enough estimated tax (see chapter 2), to cover all your tip income.

**Allocated tips.** If you work in a large food or beverage establishment, your employer may have to report an allocated amount of tips on your Form W-2.

Your employer should not withhold income tax, Medicare tax, and social security or railroad retirement tax on the allocated amount. Withholding is based only on your pay plus your reported tips. Your employer should refund to you any incorrectly withheld tax.

**More information.** For more information on the reporting and withholding rules for tip income and on tip allocation, see Pub. 531.

## **Taxable Fringe Benefits**

The value of certain noncash fringe benefits you receive from your employer is considered part of your pay. Your employer must generally withhold income tax on these benefits from your regular pay.

Although the value of your personal use of an employer-provided car, truck, or other highway motor vehicle is taxable, your

employer can choose not to withhold income tax on that amount. Your employer must notify you if this choice is made.

**When benefits are considered paid.** Your employer can choose to treat a fringe benefit as paid by the pay period, by the quarter, or on some other basis as long as the benefit is considered paid at least once a year. Your employer can treat the benefit as being paid on one or more dates during the year, even if you get the entire benefit at one time.

***Special rule.*** Your employer can choose to treat a benefit provided during November or December as paid in the next year. Your employer must notify you if this rule is used.

***Example.*** Your employer considers the value of benefits paid from November 1, 2023, through October 31, 2024, as paid to you in 2024. To determine the total value of benefits paid to you in 2025, your employer will add the value of any benefits paid in

November and December of 2024 to the value of any benefits paid in January through October of 2025.

***Exceptions.*** Your employer can't choose when to withhold tax on the transfer of either real property or personal property of a kind normally held for investment (such as stock). Your employer must withhold tax on these benefits at the time of the transfer.

**How withholding is figured.** Your employer can either add the value of a fringe benefit to your regular pay and figure income tax withholding on the total or withhold a flat 22% of the benefit's value.

If the benefit's actual value can't be determined when it is paid or treated as paid, your employer can use a reasonable estimate. Your employer must determine the actual value of the benefit by January 31 of the next year. If the actual value is more than the estimate, your employer must pay the IRS any additional withholding tax required.

Your employer has until April 1 of that next year to recover from you the additional income tax paid to the IRS for you.

**How your employer reports your benefits.** Your employer must report on Form W-2 the total of the taxable fringe benefits paid or treated as paid to you during the year and the tax withheld for the benefits. These amounts can be shown either on the Form W-2 for your regular pay or on a separate Form W-2. If your employer provided you with a car, truck, or other motor vehicle and chose to treat all of your use of it as personal, its value must be either separately shown on Form W-2 or reported to you on a separate statement.

**More information.** For information on fringe benefits, see *Fringe Benefits* under *Employee Compensation* in Pub. 525.

## **Sick Pay**

Sick pay is a payment to you to replace your regular wages while you are temporarily absent from work due to sickness or personal injury. To qualify as sick pay, it must be paid under a plan to which your employer is a party.

If you receive sick pay from your employer or an agent of your employer, income tax must be withheld. An agent who does not pay regular wages to you may choose to withhold income tax at a flat rate.

However, if you receive sick pay from a third party who isn't acting as an agent of your employer, income tax will be withheld only if you choose to have it withheld.

See Form W-4S, later.

If you receive payments under a plan in which your employer does not participate (such as an accident or health plan where you paid all



the premiums), the payments are not sick pay and are usually not taxable.

**Union agreements.** If you receive sick pay under a collective bargaining agreement between your union and your employer, the agreement may determine the amount of income tax withholding. See your union representative or your employer for more information.

**Form W-4S.** If you choose to have income tax withheld from sick pay paid by a third party, such as an insurance company, you must fill out Form W-4S. Its instructions contain a worksheet you can use to figure the amount you want withheld. They also explain restrictions that may apply.

Give the completed form to the payer of your sick pay. The payer must withhold according to your directions on the form.

Form W-4S remains in effect until you change or cancel it, or stop receiving payments. You can change your withholding by giving a new Form W-4S or a written notice to the payer of your sick pay.

**Estimated tax.** If you don't request withholding on Form W-4S, or if you don't have enough tax withheld, you may have to pay estimated tax. If you don't pay enough tax, either through estimated tax or withholding, or a combination of both, you may have to pay a penalty. See chapter 2.

## **Pensions and Annuities**

Income tax will usually be withheld from your pension or annuity distributions unless you choose not to have it withheld. This rule applies to distributions from:

- An IRA;

- A life insurance company under an endowment, annuity, or life insurance contract;
- A pension, annuity, or profit-sharing plan;
- A stock bonus plan; and
- Any other plan that defers the time you receive compensation.

The amount withheld depends on whether you receive payments spread out over more than 1 year (periodic payments), within 1 year (nonperiodic payments), or as an eligible rollover distribution (ERD). Income tax withholding from an ERD is mandatory. ERDs are discussed under *Eligible Rollover Distributions*, later.

**Nontaxable part.** The part of your pension or annuity that is a return of your investment in your retirement plan (the amount you paid into the plan or its cost to you) isn't taxable. Income tax won't be withheld from the part of your pension or annuity that isn't taxable.

The tax withheld will be figured on, and can't be more than, the taxable part.

For information about figuring the part of your pension or annuity that isn't taxable, see Pub. 575.

## **Periodic Payments**

Withholding from periodic payments of a pension or annuity is figured similarly to withholding from certain salaries and wages. To tell the payer of your pension or annuity how much you want withheld, fill out Form W-4P or a similar form provided by the payer. Follow instructions for Form W-4P and the rules discussed under Form W-4P, earlier, to fill out your 2025 Form W-4P.

**Note.** Use Form W-4, not Form W-4P, if you receive any of the following.

- Military retirement pay.

- Payments from certain nonqualified deferred compensation plans. These are employer plans that pay part of your compensation at a later time, but are not tax-qualified deferred compensation plans. See *Nonqualified Deferred Compensation and Section 457 Plans* in Pub. 957.

**Withholding rules.** The withholding rules for pensions and annuities differ from those for salaries and wages in the following ways.

- If a 2025 Form W-4P is used for withholding for payments beginning in 2025, and you don't fill out a withholding certificate, tax will be withheld as if your filing status is single with no adjustments made in Steps 2 through 4.
- You can choose not to have tax withheld, regardless of how much tax you owed last year or expect to owe this year. You don't have to qualify for exemption. See *Choosing Not To Have Income Tax Withheld*, later.

- If a 2025 Form W-4P is used for withholding for payments beginning in 2025, and you don't give the payer your SSN in the required manner or the IRS notifies the payer before any payment or distribution is made that you gave an incorrect SSN, tax will be withheld as if your filing status is single with no adjustments in Steps 2 through 4.

**Effective date of withholding certificate.**

If you give your withholding certificate (Form W-4P or a similar form) to the payer on or before the date your payments start, it will be put into effect by the first payment made more than 30 days after you submit the certificate.

If you give the payer your certificate after your payments start, it will be put into effect with the first payment, which is at least 30 days after you submit it. However, the payer can elect to put it into effect earlier.

## Nonperiodic Payments

Tax will be withheld at a flat 10% rate on any nonperiodic payments you receive, unless you choose a different withholding rate.

Use Form W-4R, line 2, to choose a withholding rate other than the default 10% rate. You can choose a rate between 0% and 100%. You can choose to have no federal income tax withheld by entering “-0-” on line 2. Generally, you can't choose less than 10% for payments to be delivered outside of the United States and its territories. If you want to revoke a choice not to have tax withheld, see Choosing Not To Have Income Tax Withheld, later.



*You may need to use Form W-4R to ask for additional withholding. If you don't have enough tax withheld, you may need to pay estimated tax, as explained in chapter 2.*

## Eligible Rollover Distributions

Distributions you receive from qualified retirement plans (for example, 401(k) plans and section 457(b) plans maintained by a governmental employer) or tax-sheltered annuities that are eligible to be rolled over to an IRA or qualified plan are subject to a 20% default rate of withholding on the taxable amount of the distribution. You can't choose withholding at a rate of less than 20% (including "-0-"). Note that the default rate of withholding may be too low for your tax situation. You may choose to enter a rate higher than 20% on Form W-4R, line 2. Don't give Form W-4R to your payer unless you want more than 20% withheld.

Note that the following payments are **not** eligible rollover distributions for purposes of these withholding rules:

- Qualifying "hardship" distributions;



- Distributions required by federal law, such as required minimum distributions;
- Generally, distributions from a pension-linked emergency savings account;
- Eligible distributions to a domestic abuse victim;
- Qualified disaster recovery distributions;
- Qualified birth or adoption distributions; and
- Emergency personal expense distributions.

## **Choosing Not To Have Income Tax Withheld**

For payments other than eligible rollover distributions, you can choose not to have income tax withheld. The payer will tell you how to make this choice. If you use Form W-4R, enter “-0-” on line 2 to choose not to have withholding.

This choice will remain in effect until you decide you want withholding and inform the payer. See *Revoking a choice not to have tax withheld*, later.

The payer must withhold if either of the following applies.

- You don't give the payer your SSN in the required manner.
- The IRS notifies the payer, before any payment or distribution is made, that you gave it an incorrect SSN.

If you don't have any income tax withheld from your pension or annuity, or if you don't have enough withheld, you may have to pay estimated tax. See chapter 2.

If you don't pay enough tax, either through estimated tax or withholding, or a combination of both, you may have to pay a penalty.

**Payments delivered outside the United States.** You must generally have tax withheld from pension or annuity benefits delivered outside the United States. However, if you are a U.S. citizen or resident alien, you can choose not to have tax withheld if you give the payer of the benefits a home address in the United States or in a U.S. territory. The payer must withhold tax if you provide a U.S. address for a nominee, trustee, or agent to whom the benefits are to be delivered, but don't provide your own home address in the United States or in a U.S. territory.

**Notice required of payer.** The payer of your pension or annuity must send you a notice telling you about your right to choose not to have tax withheld.

Generally, the payer won't send a notice to you if it is reasonable to believe that the entire amount you will be paid isn't taxable.

**Revoking a choice not to have tax withheld.** The payer of your pension or annuity will tell you how to revoke your choice not to have income tax withheld from periodic or nonperiodic payments. You can tell the payer exactly how much to withhold by completing a new Form W-4P for periodic payments or Form W-4R for nonperiodic payments.

## **Gambling Winnings**

Income tax is withheld at a flat 24% rate from certain kinds of gambling winnings.

Gambling winnings of more than \$5,000 from the following sources are subject to income tax withholding.

- Any sweepstakes; wagering pool, including payments made to winners of poker tournaments; or lottery.
- Any other wager if the proceeds are at least 300 times the amount of the bet.

It does not matter whether your winnings are paid in cash, in property, or as an annuity. Winnings not paid in cash are taken into account at their fair market value.

***Exception.*** Gambling winnings from bingo, keno, and slot machines are generally not subject to income tax withholding. However, you may need to provide the payer with an SSN to avoid withholding. See *Backup withholding on gambling winnings*, later. If you receive gambling winnings not subject to withholding, you may need to pay estimated tax. See chapter 2.

If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty.

**Form W-2G.** If a payer withholds income tax from your gambling winnings, you should receive a Form W-2G, Certain Gambling Winnings, showing the amount you won and the amount withheld.

Report the tax withheld on your 2025 Form 1040 or 1040-SR, along with all other federal income tax withheld, as shown on Forms W-2 and 1099.

**Information to give payer.** If the payer asks, you must give the payer all the following information.

- Your name, address, and SSN.
- Whether you made identical wagers (explained below).
- Whether someone else is entitled to any part of the winnings subject to withholding. If so, you must complete Form 5754, Statement by Person(s) Receiving Gambling Winnings, and return it to the payer. The payer will use it to prepare a Form W-2G for each of the winners.

***Identical wagers.*** You may have to give the payer a statement of the amount of your winnings, if any, from identical wagers.

If this statement is required, the payer will ask you for it. You provide this statement by signing Form W-2G or, if required, Form 5754.

Identical wagers include two bets placed in a pari-mutuel pool on one horse to win a particular race. However, the bets are not identical if one bet is "to win" and one bet is "to place." In addition, they are not identical if the bets were placed in different pari-mutuel pools. For example, a bet in a pool conducted by the racetrack and a bet in a separate pool conducted by an offtrack betting establishment in which the bets are not pooled with those placed at the track are not identical wagers.

### **Backup withholding on gambling**

**winnings.** If you have any kind of gambling winnings and don't give the payer your SSN, the payer may have to withhold income tax at a flat 24% rate.

This rule also applies to winnings of at least \$1,200 from bingo or slot machines or \$1,500 from keno, and to certain other gambling winnings of at least \$600.

## **Unemployment Compensation**

You can choose to have income tax withheld from unemployment compensation. To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

All unemployment compensation is taxable. So, if you don't have income tax withheld, you may have to pay estimated tax. See chapter 2.

If you don't pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty.



**Form 1099-G.** If you receive \$10 or more in unemployment compensation, you will receive a Form 1099-G, Certain Government Payments. Box 1 will show the amount of unemployment compensation you got for the year. Box 4 will show the amount of federal income tax withheld, if any.

## **Federal Payments**

You can choose to have income tax withheld from certain federal payments you receive. These payments are the following.

1. Social security benefits.
2. Tier 1 railroad retirement benefits.
3. Commodity credit corporation loans you choose to include in your gross income.
4. Payments under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as amended, or title II of the Disaster Assistance Act of 1988 that are treated

as insurance proceeds and that you received because:

- a. Your crops were destroyed or damaged by drought, flood, or any other natural disaster; or
  - b. You were unable to plant crops because of a natural disaster described in (a).
- 5. Dividends and other distributions from Alaska Native Corporations to their shareholders.
  - 6. Any other payment under federal law as determined by the Secretary.

To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer.

If you don't choose to have income tax withheld, you may have to pay estimated tax. See chapter 2.