



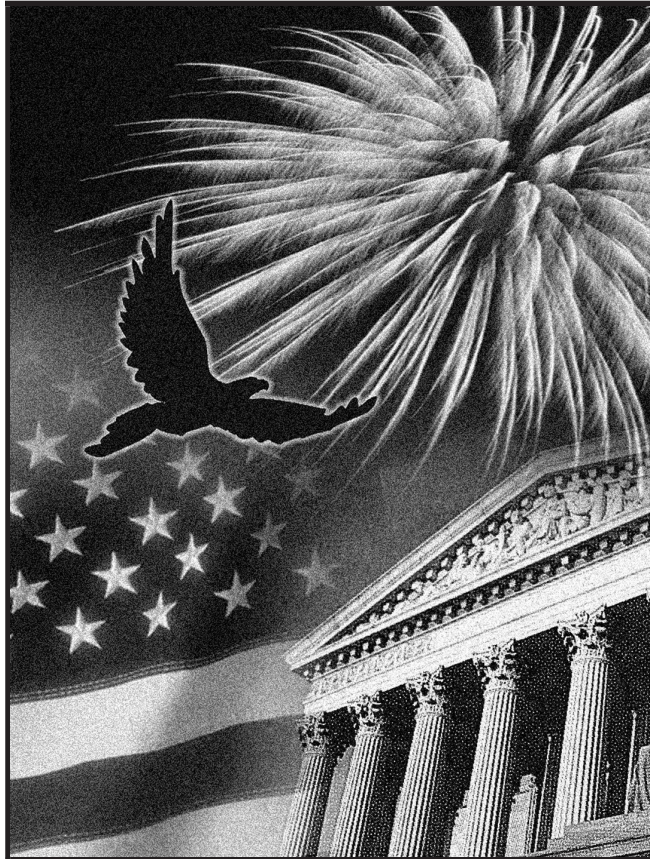
Department of the Treasury
Internal Revenue Service

Publication 919

Cat. No. 63900P

How Do I Adjust My Tax Withholding?

For use in preparing
2008 Returns



Get forms and other information
faster and easier by:

Internet • www.irs.gov



www.irs.gov/efile

Contents

What's New	2
Reminder	3
Introduction	3
Checking Your Withholding	3
Why Should I Check My Withholding?	3
When Should I Check My Withholding?	4
How Do I Check My Withholding?	4
What If Not Enough Tax Is Being Withheld?	4
What If Too Much Tax Is Being Withheld?	5
Adjusting Your Withholding	5
How Do I Increase My Withholding?	5
How Do I Decrease My Withholding?	6
When Will My New Form W-4 Go Into Effect?	7
IRS Review of Your Withholding	7
Retirees Returning to the Workforce	7
Insurance Premiums for Retired Public Safety Officers	8
Form W-4	9-10
Worksheet 1. Projected Tax for 2008	12
Worksheet 2. Phaseout of Itemized Deductions for 2008	13
Worksheet 3. Reduction of Exemption Amount for 2008	13
Worksheet 4. Tax Computation Worksheets for 2008	14-15
Worksheet 5. Figuring 2008 Tax if You Expect to Have a Net Capital Gain or Qualified Dividends	16
Worksheet 6. Figuring 2008 Tax if You Expect to Exclude Foreign Earned Income or Housing Amount	17
Worksheet 7. Self-Employment Tax for 2008	17
Worksheet 8. Converting Credits to Withholding Allowances for 2008 Form W-4 ..	18
Worksheet 9. Projected Withholding for 2008	19
2008 Standard Deduction Tables	20
How To Get Tax Help	21

What's New

This section summarizes important changes that could affect your estimated tax payments for 2008.

Work opportunity tax credit. The work opportunity tax credit has been modified and extended through August 31, 2011. See Publication 954, *Tax Incentives for Distressed Communities*, for more information.

Personal exemption and itemized deduction phaseout. The amount by which these deductions are reduced in 2008 will be one-half of the reduction that applied in 2007. These reductions are reflected in Worksheets 2 and 3.

Capital gain tax rate reduced. The 5% capital gain tax rate is reduced to zero. This is reflected in Worksheet 5.

Clean renewable energy bonds. The credit for clean renewable energy bonds has been extended to bonds issued before December 31, 2008.

Forgiveness of mortgage debt. A law was just passed that may allow you to exclude from income part or all of the mortgage debt forgiven on your principal residence. This applies for debt forgiven in 2007 through 2009. See Publication 553, *Highlights of 2007 Tax Changes*, for more details.

Volunteer firefighters and emergency medical responders. Certain qualified payments and other state and local tax benefits are not included in taxable income. For more information, see Publication 553.

Insurance premiums for retired public safety officers. Beginning in 2007, if you are an eligible retired public safety officer, you may be able to exclude from your income the amount paid for certain insurance premiums. See *Insurance Premiums for Retired Public Safety Officers*, later.

Credit or exclusion for adoption benefits increased. The maximum adoption credit has increased to \$11,650. The maximum exclusion from income for benefits received under an employer's adoption assistance program has increased to \$11,650. These amounts are phased out if your modified adjusted gross income (AGI) is between \$174,730 and \$214,730. You cannot claim the credit or exclusion if your modified AGI is \$214,730 or more.

Special rule for sales of principal residences by surviving spouses. A surviving spouse who sells his or her principal residence within 2 years after the spouse's date of death may be allowed to exclude up to \$500,000 of qualified gain instead of \$250,000. See Publication 553 for more information.

Earned income credit (EIC). You may be able to take the EIC if:

- A child lived with you and you earned less than \$38,646 (\$41,646 if married filing jointly), or

- A child did not live with you and you earned less than \$12,880 (\$15,880 if married filing jointly).

The maximum investment income you can have and still get the credit has increased to \$2,950.

For more information, see Publication 596, *Earned Income Credit (EIC)*.

Retirement savings plans. The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans. For more information, see Publication 590, *Individual Retirement Arrangements (IRAs)*.

Traditional IRA deduction limits increased. You and your spouse, if filing jointly, each may be able to deduct up to \$5,000 (\$6,000 if age 50 or older at the end of the year). You may be able to take an IRA deduction if you were covered by a retirement plan at work and your 2008 modified adjusted gross income (AGI) is less than \$63,000 (\$105,000 if married filing jointly or a qualifying widow(er)).

Retirement savings contributions credit. For 2008, you may be able to claim this credit if your modified AGI is not more than \$26,500 (\$53,000 if married filing jointly, \$39,750 if head of household).

Standard mileage rates. Beginning in 2008, the standard mileage rate for the cost of operating your car is:

- 50½ cents a mile for all business miles driven,
- 19 cents a mile for the use of your car for medical reasons,
- 19 cents a mile for the use of your car for a deductible move, and
- 14 cents a mile for the use of your car for charitable reasons.

Tax on child's investment income. Form 8615 will be required to figure the tax for the following children with investment income of more than \$1,800.

1. Children under age 18 at the end of 2008.
2. The following children if their earned income is not more than half their support.
 - a. Children age 18 at the end of 2008.
 - b. Children over age 18 and under age 24 at the end of 2008 who are full-time students.

The election to report a child's investment income on a parent's return and the special rule for when a child must file Form 6251, *Alternative Minimum Tax—Individuals*, also will apply to the children listed above.

Extended Tax Benefits

- Deduction for qualified mortgage insurance premiums.

Expired Tax Benefits



Legislation during 2008 may extend one or more of the following benefits. For the latest information, go to www.irs.gov, and click on More Forms and Publications, and then on What's Hot in forms and publications.

The following tax benefits expired and, unless extended, will not apply for 2008.

- Deduction for educator expenses in figuring AGI.
- Tuition and fees deduction.
- The exclusion from income of qualified charitable distributions.
- Credit for nonbusiness energy property.
- District of Columbia first-time homebuyer credit (for homes purchased after 2007).
- Deduction for state and local general sales tax.
- The election to include nontaxable combat pay in earned income for the EIC.

Reminder

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. 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 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Introduction

The federal income tax is a pay-as-you-go tax. This means you must pay the tax as you earn or receive income during the year.

As a wage earner, you pay federal income tax by having it withheld from your pay during the year. This is your "withholding." Your withholding is based on the number of allowances you claim when you file Form W-4, Employee's Withholding Allowance Certificate, with your employer.

The purpose of this publication is to help you check your withholding and, if necessary, prepare Form W-4 to adjust your withholding. When you first begin a job, you must complete a Form W-4 and give it to your employer to establish your initial withholding. You can adjust your withholding by giving a new Form W-4 to your employer at any time.

Note. If you have not changed jobs, you do not have to give your employer a new Form W-4 each year unless you need to adjust your withholding.

For more detailed information about Form W-4, see chapter 1 of Publication 505, Tax Withholding and Estimated Tax.

Nonresident aliens. Before completing Form W-4, nonresident alien employees should see 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 Publication 519, U.S. Tax Guide for Aliens, for important information on withholding.

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

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903

Tax questions. If you have a tax question, check the information available on www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

Checking Your Withholding

This section explains why, when, and how to check your withholding to see if you will have enough, but not too much, tax withheld for 2008. Also, you may want to use the withholding calculator on www.irs.gov.

Why Should I Check My Withholding?

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 Figure 1 for examples.

Figure 1. Personal and Financial Changes

Factor	Examples
Lifestyle change	Marriage Divorce Birth or adoption of child Loss of an exemption Purchase of a new home Retirement
Wage income	You or your spouse start or stop working, or start or stop a second job
Increased or decreased income not subject to withholding	Interest income Dividends Capital gains Self-employment income IRA (including Roth IRA) distributions
Increased or decreased adjustments to income	IRA deduction Student loan interest deduction Alimony expense
Increased or decreased itemized deductions or tax credits	Medical expenses Taxes Interest expense Gifts to charity Job expenses Education credit Child tax credit

When Should I Check My 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 2008, showing tax withheld based on 2008 tax rates.
2. You prepare your 2007 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 Figure 1 above.
4. There are changes in the tax law that affect your tax liability. See *Tax Law Changes*, next.



You must give your employer a new Form W-4 to adjust your withholding within 10 days of any event that decreases the number of withholding allowances you can claim, such as your divorce if you are claiming married status.

Tax Law Changes

If there are tax law changes that increase your tax for 2008 and you do not increase your withholding, you may have to pay tax when you file your return. If there are changes that decrease your tax for 2008 and you do not decrease your withholding, you may get a larger refund. You can get this money back earlier by reducing your withholding.

For information about changes in the law for 2007 and 2008, get Publication 553, *Highlights of 2007 Tax Changes*, or visit the IRS website at www.irs.gov. Click on *More Forms and Publications*, and then on *What's Hot in forms and publications*.

How Do I Check My Withholding?

You can use the worksheets and tables in this publication to see if you are having the right amount of tax withheld.

Follow these steps.

1. Fill out Worksheet 1 (see page 12) to project your total federal income tax liability for 2008.
2. Fill out Worksheet 9 (see page 19) to project your total federal withholding for 2008 and compare that with your projected tax liability from Worksheet 1.

If you are not having enough tax withheld, line 6 of Worksheet 9 will show you how much more to have withheld each payday.

If you are having more tax withheld than necessary, line 5 of Worksheet 9 refers you to *How Do I Decrease My Withholding*.

What If Not Enough Tax Is Being Withheld?

If not enough tax will be withheld, you should give your employer a new Form W-4 showing either a reduced number of withholding allowances or an additional amount to be withheld from your pay. See *How Do I Increase My Withholding*, on page 5.

There is a good chance you are not having enough tax withheld if:

- You have more than one job at a time,
- Your spouse also works,
- You have income not subject to withholding, such as capital gains, rental income, interest, and dividends, or
- You owe other taxes such as self-employment tax or household employment taxes.

If your employer cannot withhold enough additional tax from your pay, you may need to make estimated tax

payments. This might be the case if your pay is low and you have substantial nonwage income, such as interest, dividends, capital gains, or earnings from self-employment. For more information on estimated tax payments, see chapter 2 of Publication 505.

What If Too Much Tax Is Being Withheld?

If too much tax is withheld, you may receive a large refund when you file your return. If you would prefer to receive the money during the year, you should see if you qualify to have less tax withheld. If so, give your employer a new Form W-4 showing more withholding allowances.

There is a good chance you are having too much tax withheld if:

- You got a big refund for 2007 and your income, adjustments, deductions, and credits will remain about the same this year,
- Your income will remain about the same as last year, but your adjustments, deductions, or credits will increase significantly, or
- You got a refund last year; your income, adjustments, and deductions will remain about the same as last year; but you will qualify for one or more tax credits this year that you did not qualify for last year.

Note. Adjustments to income are listed on Form 1040 and Form 1040A near the bottom of page 1. Itemized deductions appear on Schedule A (Form 1040). Credits appear on page 2 of Form 1040 and Form 1040A. See also Figures 1 (page 4) and 2 (page 6).

Adjusting Your Withholding

This section explains how to adjust your withholding.

If you are not having enough tax withheld or you are having too much tax withheld, you should either increase or decrease your withholding.

You increase or decrease your withholding by filling out a new Form W-4 and giving it to your employer. You can use the worksheets and information in this publication to help you complete Form W-4. You can get a blank Form W-4 from your employer or use the Form W-4 on pages 9 and 10 of this publication.

How Do I Increase My Withholding?

There are two ways to increase your withholding. You can:

- Decrease the number of allowances you claim on Form W-4, line 5, or
- Enter an additional amount that you want withheld from each paycheck on Form W-4, line 6.

Requesting an additional amount withheld. You can request that an additional amount be withheld from each paycheck by following these steps.

1. Complete Worksheets 1 and 9.
2. Complete a new Form W-4 if the amount on Worksheet 9, line 5:
 - a. Is more than you want to pay with your tax return or in quarterly estimated tax payments, or
 - b. Would cause you to pay a penalty when you file your tax return for 2008.
3. Enter on your new Form W-4, line 5, the same number of withholding allowances your employer now uses for your withholding. This is the number of allowances you entered on the last Form W-4 you gave your employer.
4. Enter on your new Form W-4, line 6, the amount from Worksheet 9, line 6.
5. Give your newly completed Form W-4 to your employer.

If you have this additional amount withheld from your pay each payday, you should avoid owing a large amount at the end of the year.

Example. Early in 2008, Steve Miller used Worksheets 1, 4, and 9 to project his 2008 tax liability (\$4,316) and his withholding for the year (\$3,516). Steve's tax will be under withheld by \$800 ($\$4,316 - \$3,516$). Either he will have to pay this amount when he files his 2008 tax return or he can increase his withholding now. Steve gets a new Form W-4 from his employer, who tells him that there are 50 paydays remaining in 2008. Steve completes the form as before, entering the same number of withholding allowances as before, but, in addition, entering \$16 ($\$800 \div 50$) on line 6 of the form. This is the additional amount to be withheld from his pay each payday. He gives the completed form to his employer.

What if I have more than one job or my spouse also has a job? You are 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 9, 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 2008 for that job. This will give you the additional amount to enter on line 6 of 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. Meg Green works in a store and earns \$46,000 a year. Her husband, John, works full-time in manufacturing and earns \$68,000 a year. In 2008, they will also have \$184 in taxable interest and \$1,000 of other taxable income. They expect to file a joint income tax return. Meg and John complete Worksheets 1, 4, and 9. Worksheet 9, line 5, shows that they will owe an additional \$4,459 after subtracting their withholding for the year. They can divide the \$4,459 any way they want. They can enter

an additional amount on either of their Forms W-4, or divide it between them. They decide to have the additional amount withheld from John's wages, so they enter \$91 ($\$4,459 \div 49$ remaining paydays) on line 6 of his Form W-4. Both claim the same number of allowances as before.

How Do I Decrease My Withholding?

If your completed Worksheets 1 and 9 show that you may have more tax withheld than your projected tax liability for 2008, you may be able to decrease your withholding. There are two ways to do this. You can:

- Decrease any additional amount (Form W-4, line 6) you are having withheld, or
- Increase the number of allowances you claim on Form W-4, line 5.



You can claim only the number of allowances to which you are entitled. To see if you can decrease your withholding by increasing your allowances, see the Form W-4 instructions and the rest of this publication. If your expected adjusted gross income for

2008 is more than \$159,950, also see chapter 1 of Publication 505.

Increasing the number of allowances I can claim. You figure and increase the number of withholding allowances you are entitled to claim as follows.

1. On a new Form W-4, complete the Personal Allowances Worksheet.
2. If you plan to itemize deductions, claim adjustments to income, or claim tax credits, complete a new Deductions and Adjustments Worksheet. If you plan to claim tax credits, see *Converting Credits to Withholding Allowances*, on page 7.
3. If you meet the criteria on line H of the Form W-4 Personal Allowances Worksheet, complete a new Two-Earners/Multiple Jobs Worksheet.
4. If the number of allowances you are entitled to claim on Form W-4, line 5, is different from the number you are already claiming, give the newly completed Form W-4 to your employer.

Figure 2. Tax Credits

For more information about the ...	See ...
Adoption credit	Form 8839 instructions
Alternative fuel vehicle refueling property credit	Form 8911 instructions
Alternative motor vehicle credit	Form 8910 instructions
Child and dependent care expenses, credit for	Publication 503, Child and Dependent Care Expenses
Child tax credit (including additional child tax credit)	Instructions for Form 1040 or Form 1040A
Clean renewable energy bond credit	Form 8912 instructions
District of Columbia first-time homebuyer credit carryforward from 2007	Form 8859 instructions
Earned income credit (unless you requested advance payment of the credit)	Publication 596, Earned Income Credit
Education credits	Publication 970, Tax Benefits for Education
Elderly or the disabled, credit for the	Publication 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)	Publication 514, Foreign Tax Credit for Individuals
General business credit	Form 3800, General Business Credit
Gulf tax credit bond credit	Form 8912 instructions
Health coverage tax credit	Publication 502, Medical and Dental Expenses
Mortgage interest credit	Publication 530, Tax Information for First-Time Homeowners
Prior year minimum tax, credit for (if you paid alternative minimum tax in an earlier year)	Form 8801 instructions
Qualified zone academy bond credit	Form 8860 instructions
Residential energy efficient property credit	Form 5695 instructions
Retirement savings contributions credit	Publication 590, Individual Retirement Arrangements (IRAs)

Converting Credits to Withholding Allowances

Figure 2, on page 6, shows many of the tax credits you may be able to use to reduce your withholding. The Form W-4 Personal Allowances Worksheet provides only rough adjustments for the child and dependent care credit (line F) and the child tax credit (line G). Complete Worksheet 8 (see page 18) to figure these credits more accurately and also take other credits into account.

Include the amount from line 12 of Worksheet 8 in the total on line 5 of the Deductions and Adjustments Worksheet. Then complete the Deductions and Adjustments Worksheet and the rest of Form W-4.



If you take the child and dependent care credit into account on Worksheet 8, enter -0- on line F of the Personal Allowances Worksheet. If you take the child tax credit into account on Worksheet 8, enter -0- on line G of the Personal Allowances Worksheet.

Example. Brett and Alyssa Davis are married and expect to file a joint return for 2008. Their estimated income from all sources is \$68,000. They also expect to have \$15,900 of itemized deductions. Their projected tax credits include a child and dependent care credit of \$960 and a mortgage interest credit of \$1,700.

The Davis' complete Worksheet 8, as follows, to see whether they can convert their tax credits into additional withholding allowances.

1. Line 1, expected child and dependent care credit—\$960.
2. Line 9, expected mortgage interest credit—\$1,700.
3. Line 10, total estimated tax credits—\$2,660.
4. Line 11—6.7. Their combined taxable income from all sources, \$68,000, falls between \$37,001 and \$85,000 on the table for married filing jointly or qualifying widow(er). The number to the right of this range is 6.7.
5. Line 12, multiply line 10 by line 11—\$17,822.

Then the Davis' complete the Form W-4 worksheets.

1. Because they chose to account for their child and dependent care credit this way, they enter -0- on line F of the Personal Allowances Worksheet and figure a new total for line H.
2. They take the result on line 12 of Worksheet 8, add it to their other adjustments on line 5 of the Form W-4 Deductions and Adjustments Worksheet, and complete the Form W-4 worksheets.

When Will My 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 will not take effect until next year.

IRS Review of Your Withholding

Generally, the amount your employer withholds for federal income tax must be based on your Form W-4. However, whether you are entitled to claim exempt status or a certain number of withholding allowances is subject to review by the IRS. If the IRS determines that you cannot claim more than a specified number of withholding allowances or claim a complete exemption from withholding, the IRS will issue a notice of the maximum number of withholding allowances permitted (commonly referred to as a “lock-in letter”) to both you and your employer.

If you receive a lock-in letter, the IRS has instructed your employer to begin withholding income tax from your wages based on the withholding rate and allowances shown in the letter. In addition, your employer has been instructed not to honor your current Form W-4 or a new Form W-4 unless it results in more withholding than the lock-in letter allows.

The IRS will provide a period of time during which you can dispute the determination before your employer adjusts your withholding. Follow the instructions in your letter if you wish to submit a new Form W-4 or contact the Withholding Compliance Unit with questions. Additional information is available on the IRS website at www.irs.gov. Enter the keyword “withholding compliance questions” in the search box.

Retirees Returning to the Workforce

When you first began receiving your pension, you told the payor how much tax to withhold, if any, by completing Form W-4P, Withholding Certificate for Pension or Annuity Payments (or something similar). 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. Now that 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.

The worksheets that come with Forms W-4 and W-4P are basically the same, so you can use either set of worksheets to figure out how many withholding allowances you are entitled to claim. Start off with the Personal Allowances Worksheet. Then, if you will be itemizing your deductions, claiming adjustments to income, or claiming tax credits when you file your tax return, complete the Deductions and Adjustments Worksheet.

The third worksheet is the most important for this situation. Form W-4 calls it the Two-Earners/Multiple Jobs Worksheet, Form W-4P calls it the Multiple Pensions/More-Than-One-Income Worksheet—both are the same. As you have learned in this publication, if you have more than one source of income you may need to claim fewer withholding allowances, or request your employer withhold

an additional amount from each paycheck, to have enough withholding to cover the tax on your higher income.

Once you have figured out how many allowances you are entitled to claim, look at the income from both your pension and your new job, and how often you receive payments. It is your decision how to divide up your withholding allowances between these sources of income. For example, you may want to “take home” most of your weekly paycheck to use as spending money and use your pension to “pay the bills.” In that case, change your Form W-4P to zero allowances and claim all that you are entitled to on your Form W-4.

There are a couple of ways you can get a better idea of how much tax will be withheld when claiming a certain number of allowances.

- Use the withholding tables in Publication 15, Employer’s Tax Guide.
- Contact your pension provider and your employer’s payroll department.

And remember, this is not a final decision. If you do not get the correct amount of withholding with the first Forms W-4 and W-4P you submit, you should refigure your allowances (or divide them differently) 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.

Insurance Premiums for Retired Public Safety Officers

If you are an eligible retired public safety officer (law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from your eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or \$3,000. You can only make this election for amounts that would otherwise be included in your income.

An eligible retirement plan is a governmental plan that is:

- a qualified trust,
- a section 403(a) plan,
- a section 403(b) annuity, or
- a section 457(b) plan.

If you wish to make the election, see the instructions for Form 1040.

Form W-4 (2008)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2008 expires February 16, 2009. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds \$900 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, certain credits,

adjustments to income, or two-earner/multiple job situations. Complete all worksheets that apply. However, you may claim fewer (or zero) allowances.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax

payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see the Instructions for Form 8233 before completing this Form W-4.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your projected total tax for 2008. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for **yourself** if no one else can claim you as a dependent **A** _____

B Enter "1" if:
 { • You are single and have only one job; or
 • You are married, have only one job, and your spouse does not work; or
 • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. } **B** _____

C Enter "1" for your **spouse**. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) **C** _____

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return **D** _____

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) **E** _____

F Enter "1" if you have at least \$1,500 of **child or dependent care expenses** for which you plan to claim a credit **F** _____

(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
 • If your total income will be less than \$58,000 (\$86,000 if married), enter "2" for each eligible child.
 • If your total income will be between \$58,000 and \$84,000 (\$86,000 and \$119,000 if married), enter "1" for each eligible child plus "1" **additional** if you have 4 or more eligible children. **G** _____

H Add lines A through G and enter total here. **(Note.** This may be different from the number of exemptions you claim on your tax return.) **H** _____

For accuracy, complete all worksheets that apply.
 { • If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
 • If you have **more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
 • If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4		Employee's Withholding Allowance Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		<p>► Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</p>		2008
1 Type or print your first name and middle initial.		Last name		2 Your social security number
Home address (number and street or rural route)		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.		
City or town, state, and ZIP code		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► <input type="checkbox"/>		
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5		
6 Additional amount, if any, you want withheld from each paycheck		6		\$
7 I claim exemption from withholding for 2008, and I certify that I meet both of the following conditions for exemption. • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ► 7				
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.				
Employee's signature (Form is not valid unless you sign it.) ►		Date ►		
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)	10 Employer identification number (EIN)	

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2008)

Deductions and Adjustments Worksheet

Note. Use this worksheet *only* if you plan to itemize deductions, claim certain credits, or claim adjustments to income on your 2008 tax return.

- 1 Enter an estimate of your 2008 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2008, you may have to reduce your itemized deductions if your income is over \$159,950 (\$79,975 if married filing separately). See *Worksheet 2* in Pub. 919 for details.) . . . 1 \$ _____
- 2 Enter: { \$10,900 if married filing jointly or qualifying widow(er) } 2 \$ _____
 { \$ 8,000 if head of household }
 { \$ 5,450 if single or married filing separately }
- 3 **Subtract** line 2 from line 1. If zero or less, enter “-0-” 3 \$ _____
- 4 Enter an estimate of your 2008 adjustments to income, including alimony, deductible IRA contributions, and student loan interest 4 \$ _____
- 5 **Add** lines 3 and 4 and enter the total. (Include any amount for credits from *Worksheet 8* in Pub. 919) 5 \$ _____
- 6 Enter an estimate of your 2008 nonwage income (such as dividends or interest) 6 \$ _____
- 7 **Subtract** line 6 from line 5. If zero or less, enter “-0-” 7 \$ _____
- 8 **Divide** the amount on line 7 by \$3,500 and enter the result here. Drop any fraction 8 _____
- 9 Enter the number from the **Personal Allowances Worksheet**, line H, page 1 9 _____
- 10 **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet**, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 10 _____

Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)

Note. Use this worksheet *only* if the instructions under line H on page 1 direct you here.

- 1 Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) 1 _____
 - 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However**, if you are married filing jointly and wages from the highest paying job are \$50,000 or less, do not enter more than “3.” 2 _____
 - 3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet 3 _____
- Note.** If line 1 is *less than* line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4–9 below to calculate the additional withholding amount necessary to avoid a year-end tax bill.
- 4 Enter the number from line 2 of this worksheet 4 _____
 - 5 Enter the number from line 1 of this worksheet 5 _____
 - 6 **Subtract** line 5 from line 4 6 _____
 - 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here 7 \$ _____
 - 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed 8 \$ _____
 - 9 Divide line 8 by the number of pay periods remaining in 2008. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2007. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck 9 \$ _____

Table 1				Table 2			
Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$4,500	0	\$0 - \$6,500	0	\$0 - \$65,000	\$530	\$0 - \$35,000	\$530
4,501 - 10,000	1	6,501 - 12,000	1	65,001 - 120,000	880	35,001 - 80,000	880
10,001 - 18,000	2	12,001 - 20,000	2	120,001 - 180,000	980	80,001 - 150,000	980
18,001 - 22,000	3	20,001 - 27,000	3	180,001 - 310,000	1,160	150,001 - 340,000	1,160
22,001 - 27,000	4	27,001 - 35,000	4	310,001 and over	1,230	340,001 and over	1,230
27,001 - 33,000	5	35,001 - 50,000	5				
33,001 - 40,000	6	50,001 - 65,000	6				
40,001 - 50,000	7	65,001 - 80,000	7				
50,001 - 55,000	8	80,001 - 95,000	8				
55,001 - 60,000	9	95,001 - 120,000	9				
60,001 - 65,000	10	120,001 and over	10				
65,001 - 75,000	11						
75,001 - 100,000	12						
100,001 - 110,000	13						
110,001 - 120,000	14						
120,001 and over	15						

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, to cities, states, and the District of Columbia for use in administering their tax laws, and using it in the National Directory of New Hires. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.

Figure 3. Worksheets and Tables

Use the following worksheets and tables to figure your correct withholding and adjustments.

Use ...	On page...	To ...
Worksheet 1 Projected Tax for 2008	12	Project the taxable income you will have for 2008 and figure the amount of tax you will have to pay on that income.
Worksheet 2 Phaseout of Itemized Deductions for 2008	13	Figure the reduced amount of your projected itemized deductions on Schedule A (Form 1040) if they are limited because your projected adjusted gross income is more than \$159,950 (\$79,975 if married filing separately).
Worksheet 3 Reduction of Exemption Amount for 2008	13	Figure the reduced amount of your projected exemptions if your exemptions are limited because your projected adjusted gross income for your projected filing status is more than: \$159,950 if single; \$239,950 if married filing jointly or qualifying widow(er); \$119,975 if married filing separately; or \$199,950 if head of household.
Worksheet 4 Tax Computation Worksheets for 2008	14-15	Figure the amount of tax on your projected taxable income.
Worksheet 5 Figuring 2008 Tax if You Expect to Have a Net Capital Gain or Qualified Dividends	16	Figure the amount of tax when your projected 2008 taxable income includes a net capital gain or qualified dividends.
Worksheet 6 Figuring 2008 Tax if You Expect to Exclude Foreign Earned Income or Housing Amount	17	Figure your tax if you expect to claim a foreign earned income exclusion or housing exclusion on Form 2555 or Form 2555-EZ.
Worksheet 7 Self-Employment Tax for 2008	17	Figure your projected self-employment tax for 2008 if you and/or your spouse are self-employed in 2008 and the total of your (or your spouse's) wages and self-employment income will be more than \$102,000.
Worksheet 8 Converting Credits to Withholding Allowances for 2008 Form W-4	18	Figure how much of an adjustment to make to line 5 of the Form W-4 Deductions and Adjustments Worksheet to account for your projected tax credits that are not otherwise taken into consideration.
Worksheet 9 Projected Withholding for 2008	19	Project the amount of federal income tax that you will have withheld in 2008, compare your projected withholding with your projected tax, and determine whether the amount withheld each payday should be adjusted.
Tables 1, 2, and 3 2008 Standard Deduction Tables	20	Determine your projected standard deduction for 2008. Do not use these tables if you plan to itemize your deductions.

Worksheet 1. Projected Tax for 2008

Use this worksheet to figure the amount of your projected tax for 2008. **Note.** Enter combined amounts if married filing jointly.

<p>1. Enter amount of adjusted gross income (AGI) you expect in 2008. (To determine this, you may want to start with the AGI on your last year's return, and add or subtract your expected changes.)</p> <p>Note. If self-employed, first complete Worksheet 7 to figure the deduction for one-half of self-employment tax. Subtract that amount to figure the line 1 entry.</p>	1	
<p>2. If you:</p> <ul style="list-style-type: none"> • Do not plan to itemize deductions on Schedule A (Form 1040), enter your expected standard deduction from Table 1, 2, or 3 (see page 20). • Plan to itemize deductions, and the amount on line 1 is: <ul style="list-style-type: none"> • Not more than \$159,950 (\$79,975 if married filing separately), enter the total itemized deductions you expect after applying any limits (such as the 7.5% limit on medical expenses). • More than \$159,950 (\$79,975 if married filing separately), use Worksheet 2 to figure the amount to enter here 	2	
<p>3. Subtract line 2 from line 1 (if zero or less, enter -0- and go to line 6)</p>	3	
<p>4. If the amount on line 1 is:</p> <ul style="list-style-type: none"> • Not more than the amount shown below for your 2008 filing status, multiply the number of exemptions you plan to claim on your 2008 tax return by \$3,500 and enter the result here. • More than the amount shown below for your 2008 filing status, use Worksheet 3 to figure the amount to enter here <ul style="list-style-type: none"> • Single — \$159,950 • Married filing jointly or Qualifying widow(er) — \$239,950 • Married filing separately — \$119,975 • Head of household — \$199,950 	4	
<p>5. Expected taxable income. Subtract line 4 from line 3 (if zero or less, enter -0-)</p>	5	
<p>6. If the amount on line 1:</p> <ul style="list-style-type: none"> • Does not include a net capital gain or qualified dividends and you did not exclude foreign earned income or housing amounts in arriving at the amount on line 1, use the appropriate section of Worksheet 4 (see pages 14-15) to figure the tax to enter here. • Includes a net capital gain or qualified dividends, use Worksheet 5 (see page 16) to figure the tax to enter here • Was figured by excluding foreign earned income or housing, use Worksheet 6 (see page 17) to figure the tax to enter here 	6	
<p>7. Enter any expected additional taxes from an election to report your child's interest and dividends (Form 8814); lump-sum distributions (Form 4972); and any recapture of education credits</p>	7	
<p>8. Add lines 6 and 7</p>	8	
<p>9. Enter the amount of any expected tax credits. See Figure 2 on page 6</p>	9	
<p>10. Subtract line 9 from line 8 (if zero or less, enter -0-)</p>	10	
<p>11. Self-employment tax. If you expect to file a joint return and both of you are self-employed, figure the self-employment tax for each of you separately and enter the total on line 11.</p> <p>If the projected total of your net self-employment income multiplied by 92.35% (.9235) is:</p> <ul style="list-style-type: none"> • less than \$400, enter -0- on line 11 • \$400 or more, and together with your wages is not more than \$102,000, multiply your expected net self-employment income by 92.35% (.9235). Multiply that result by 15.3% (.153) and enter here. • \$400 or more, and together with your wages is more than \$102,000, use Worksheet 7 (see page 17) to figure the amount to enter here 	11	
<p>12. Enter any other expected taxes (such as tax on early distributions from an IRA, alternative minimum tax, etc.)</p>	12	
<p>13. Projected tax for 2008. Add lines 10 through 12. Enter the total here and on Worksheet 9, line 1</p>	13	

Worksheet 2. Phaseout of Itemized Deductions for 2008

Use this worksheet to figure the amount to enter on Worksheet 1, line 2, and on the Form W-4 Deductions and Adjustments Worksheet, line 1.

1. Enter the total itemized deductions you expect for 2008 after applying any limits (such as the 7.5% limit on medical expenses)	1	
2. Enter the amount included in line 1 for medical and dental expenses, investment interest, casualty and theft losses, and gambling losses (after applying the same limits used in line 1)	2	
3. Subtract line 2 from line 1	3	
Note. If the amount on line 3 is zero, stop here. Your deduction is not limited. Enter on Worksheet 1, line 2, the larger of the amount from line 1 of this worksheet or your standard deduction from Table 1, 2, or 3.		
4. Multiply line 3 by 80% (.80)	4	
5. Enter the amount from Worksheet 1, line 1	5	
6. Enter \$159,950 (\$79,975 if married filing separately)	6	
7. Subtract line 6 from line 5	7	
Note. If the amount on line 7 is zero or less, stop here. Your deduction is not limited. Enter on Worksheet 1, line 2, the larger of the amount from line 1 of this worksheet or your standard deduction from Table 1, 2, or 3.		
8. Multiply line 7 by 3% (.03)	8	
9. Enter the smaller of line 4 or line 8	9	
10. Divide line 9 by 1.5	10	
11. Subtract line 10 from line 9	11	
12. Subtract line 11 from line 1. Enter the result here, on line 2 of Worksheet 1, and on line 1 of the Form W-4 Deductions and Adjustments Worksheet	12	

Worksheet 3. Reduction of Exemption Amount for 2008

Use this worksheet to figure the amount to enter on Worksheet 1, line 4.

1. Multiply \$3,500 by the number of exemptions you plan to claim	1	
2. Enter the amount from Worksheet 1, line 1	2	
3. Enter: \$159,950 if single \$239,950 if married filing jointly or qualifying widow(er) \$119,975 if married filing separately \$199,950 if head of household	3	
4. Subtract line 3 from line 2 and enter here	4	
5. Is line 4 more than \$122,500 (more than \$61,250 if married filing separately)? <input type="checkbox"/> Yes. Multiply \$2,333 by the number of exemptions you plan to claim and enter the result here and on Worksheet 1, line 4. Do not complete the rest of this worksheet. <input type="checkbox"/> No. Divide line 4 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next whole number (for example, increase 0.0004 to 1)	5	
6. Multiply line 5 by 2% (.02). Enter the result as a decimal	6	.
7. Multiply line 1 by line 6	7	
8. Divide line 7 by 3.0	8	
9. Subtract line 8 from line 1. Enter the result here and on Worksheet 1, line 4	9	

Worksheet 4. Tax Computation Worksheets for 2008

Note. If you are required to use this worksheet to figure the tax on an amount from Worksheet 5 (line 1 or 14), or Worksheet 6 (line 2 or 3), enter the amount from that worksheet in column (a) of the row that applies to the amount you are looking up. Enter the result on the appropriate line of the worksheet you are completing.

a. Single

Use this worksheet to figure the amount to enter on Worksheet 1, line 6, if you expect your filing status for 2008 to be Single .						
Expected Taxable Income If Worksheet 1, line 5* is —		(a) Enter amount from Worksheet 1, line 5*	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	(e) Subtract (d) from (c). Enter the result here and on Worksheet 1, line 6*
Over	But not over					
\$0	\$8,025		× 10% (.10)		\$0	
8,025	32,550		× 15% (.15)		401.25	
32,550	78,850		× 25% (.25)		3,656.25	
78,850	164,550		× 28% (.28)		6,021.75	
164,550	357,700		× 33% (.33)		14,249.25	
357,700	-----		× 35% (.35)		21,403.25	

* If you are using Worksheet 5, for column (a), use the amount from line 1 or line 14 and enter the result (from column (e)) on line 29 or line 31, as appropriate.

If you are using Worksheet 6, for column (a), use the amount from line 2 or line 3 and enter the result (from column (e)) on line 5 or line 4, as appropriate.

b. Head of Household

Use this worksheet to figure the amount to enter on Worksheet 1, line 6, if you expect your filing status for 2008 to be Head of Household .						
Expected Taxable Income If Worksheet 1, line 5* is —		(a) Enter amount from Worksheet 1, line 5*	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	(e) Subtract (d) from (c). Enter the result here and on Worksheet 1, line 6*
Over	But not over					
\$0	\$11,450		× 10% (.10)		\$0	
11,450	43,650		× 15% (.15)		572.50	
43,650	112,650		× 25% (.25)		4,937.50	
112,650	182,400		× 28% (.28)		8,317.00	
182,400	357,700		× 33% (.33)		17,437.00	
357,700	-----		× 35% (.35)		24,591.00	

* If you are using Worksheet 5, for column (a), use the amount from line 1 or line 14 and enter the result (from column (e)) on line 29 or line 31, as appropriate.

If you are using Worksheet 6, for column (a), use the amount from line 2 or line 3 and enter the result (from column (e)) on line 5 or line 4, as appropriate.

c. Married Filing Jointly or Qualifying Widow(er)

Use this worksheet to figure the amount to enter on Worksheet 1, line 6, if you expect your filing status for 2008 to be **Married Filing Jointly or Qualifying Widow(er)**.

Expected Taxable Income If Worksheet 1, line 5* is —		(a) Enter amount from Worksheet 1, line 5*	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	(e) Subtract (d) from (c). Enter the result here and on Worksheet 1, line 6*
Over	But not over					
\$0	\$16,050		× 10% (.10)		\$0	
16,050	65,100		× 15% (.15)		802.50	
65,100	131,450		× 25% (.25)		7,312.50	
131,450	200,300		× 28% (.28)		11,256.00	
200,300	357,700		× 33% (.33)		21,271.00	
357,700	-----		× 35% (.35)		28,425.00	

* If you are using Worksheet 5, for column (a), use the amount from line 1 or line 14 and enter the result (from column (e)) on line 29 or line 31, as appropriate.

If you are using Worksheet 6, for column (a), use the amount from line 2 or line 3 and enter the result (from column (e)) on line 5 or line 4, as appropriate.

d. Married Filing Separately

Use this worksheet to figure the amount to enter on Worksheet 1, line 6, if you expect your filing status for 2008 to be **Married Filing Separately**.

Expected Taxable Income If Worksheet 1, line 5* is —		(a) Enter amount from Worksheet 1, line 5*	(b) Multiplication amount	(c) Multiply (a) by (b)	(d) Subtraction amount	(e) Subtract (d) from (c). Enter the result here and on Worksheet 1, line 6*
Over	But not over					
\$0	\$8,025		× 10% (.10)		\$0	
8,025	32,550		× 15% (.15)		401.25	
32,550	65,725		× 25% (.25)		3,656.25	
65,725	100,150		× 28% (.28)		5,628.00	
100,150	178,850		× 33% (.33)		10,635.50	
178,850	-----		× 35% (.35)		14,212.50	

* If you are using Worksheet 5, for column (a), use the amount from line 1 or line 14 and enter the result (from column (e)) on line 29 or line 31, as appropriate.

If you are using Worksheet 6, for column (a), use the amount from line 2 or line 3 and enter the result (from column (e)) on line 5 or line 4, as appropriate.

Worksheet 5. Figuring 2008 Tax if You Expect to Have a Net Capital Gain or Qualified Dividends

Only use this worksheet to figure the amount to enter on Worksheet 1, line 6, if the amount on line 1 of that worksheet includes a net capital gain or qualified dividends.

1. Enter the amount from Worksheet 1, line 5 (or the amount from Worksheet 6, line 7, if appropriate)	1		
2. Enter your expected qualified dividends for 2008 ¹	2		
3. Enter the net capital gain expected for 2008 ¹	3		
4. Add lines 2 and 3	4		
5. Enter your 28% rate gain or loss expected for 2008 ²	5		
6. Enter the unrecaptured section 1250 gain expected for 2008	6		
7. Add lines 5 and 6	7		
8. Enter the smaller of line 3 or line 7	8		
9. Subtract line 8 from line 4	9		
10. Subtract line 9 from line 1. If zero or less, enter -0-	10		
11. Enter the smaller of line 1 or \$65,100 (\$32,550 if single or married filing separately; \$43,650 if head of household)	11		
12. Enter the smaller of line 10 or line 11	12		
13. Subtract line 4 from line 1. If zero or less, enter -0-	13		
14. Enter the larger of line 12 or line 13. Note. If line 11 and line 12 are the same, skip line 15 and go on to line 16	14		
15. Subtract line 12 from line 11 Note. If lines 1 and 11 are the same, skip lines 16–28 and go to line 29	15		
16. Enter the smaller of line 1 or line 9	16		
17. Enter the amount from line 15. If line 15 is blank, enter -0-	17		
18. Subtract line 17 from line 16. If zero or less, enter -0-	18		
19. Multiply line 18 by 15% (.15). Note. If line 6 is zero or blank, skip lines 20–25 and go to line 26			19
20. Enter the smaller of line 3 or line 6	20		
21. Add lines 4 and 14	21		
22. Subtract line 1 from line 21. If zero or less, enter -0-	22		
23. Subtract line 22 from line 20. If zero or less, enter -0-	23		
24. Multiply line 23 by 25% (.25). Note. If line 5 is zero or blank, skip lines 25–27 and go to line 28			24
25. Add lines 14, 15, 18, and 23	25		
26. Subtract line 25 from line 1	26		
27. Multiply line 26 by 28% (.28)			27
28. Figure the tax on the amount on line 14 using Worksheet 4			28
29. Add lines 19, 24, 27, and 28			29
30. Figure the tax on the amount on line 1 using Worksheet 4			30
31. Expected tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 29 or line 30 here and on Worksheet 1, line 6 (or if using Worksheet 6, enter on line 4 of Worksheet 6)			31

¹ If you expect to deduct investment interest expense, do not include on this line any qualified dividends or net capital gain that you will elect to treat as investment income.

² This includes a section 1202 exclusion from eligible gain on qualified small business stock and gain or loss from the sale or exchange of collectibles. See the instructions for Schedule D (Form 1040) for more information.

Worksheet 6. Figuring 2008 Tax if You Expect to Exclude Foreign Earned Income or Housing Amount

You must figure your tax using this worksheet if you claim a foreign earned income exclusion or housing exclusion on Form 2555 or Form 2555-EZ.

Before you begin: If Worksheet 1, line 5, is zero, do not complete this worksheet.		
1. Enter the amount from Worksheet 1, line 5	1	
2. Enter the total foreign earned income and housing amount you (and your spouse, if filing jointly) expect to exclude in 2008 on Form 2555, line 43, or Form 2555-EZ, line 18	2	
3. Add lines 1 and 2	3	
4. Tax on the amount on line 3. Use Worksheet 4 or Worksheet 5,* as appropriate	4	
5. Tax on the amount on line 2. Use Worksheet 4	5	
6. Subtract line 5 from line 4. Enter the result here and on Worksheet 1, line 6. If zero or less, enter -0-	6	

*If using Worksheet 5 (Figuring 2008 Tax if You Expect to Have a Net Capital Gain or Qualified Dividends), enter the amount from line 3 above on line 1 of Worksheet 5. Complete Worksheet 5 through line 9. Next, determine if you have a capital gain excess.

Figuring capital gain excess. To find out if you have a capital gain excess, subtract line 5 of Worksheet 1 from line 9 of Worksheet 5. If the result is more than zero, that amount is your capital gain excess.

No capital gain excess. If you do not have a capital gain excess, complete the rest of Worksheet 5 according to its instructions. Then complete lines 5 and 6 above.

Capital gain excess. If you have a capital gain excess, complete a second Worksheet 5 in its entirety with the following modifications. Enter the amount from line 3 above on line 1 of Worksheet 5. Then complete lines 5 and 6 above. Make these modifications to Worksheet 5 only for purposes of filling out Worksheet 6 above.

- Reduce the amount you would otherwise enter on line 3 of Worksheet 5 (but not below zero) by your capital gain excess.
- Reduce the amount you would otherwise enter on line 2 of Worksheet 5 (but not below zero) by any of your capital gain excess not used in (a) above.
- Reduce the amount you would otherwise enter on line 5 of Worksheet 5 (but not below zero) by your capital gain excess.
- Reduce the amount you would otherwise enter on line 6 of Worksheet 5 (but not below zero) by your capital gain excess.

Worksheet 7. Self-Employment Tax for 2008

Use this worksheet to figure the amount to enter on Worksheet 1, line 11. If you are married filing a joint return and you are both self-employed, complete this worksheet separately for each spouse, and combine the amounts on Worksheet 1, line 11.		
1. Enter your expected net self-employment income for 2008	1	
2. Multiply line 1 by 92.35% (.9235)	2	
3. Multiply line 2 by 2.9% (.029)	3	
4. Social security tax maximum income	4	\$102,000
5. Enter your expected wages for 2008 (if subject to social security tax or the 6.2% portion of tier 1 railroad retirement tax)	5	
6. Subtract line 5 from line 4	6	
Note. If line 6 is zero or less, enter -0- on line 8 and skip to line 9.		
7. Enter the smaller of line 2 or line 6	7	
8. Multiply line 7 by 12.4% (.124)	8	
9. Add line 3 and line 8. Enter the result here and on Worksheet 1, line 11. If you expect to file a joint return, combine the result with your spouse's expected self-employment tax and enter the total on Worksheet 1, line 11	9	
10. Multiply line 9 by .50. This is your expected deduction for one-half of your self-employment tax. Subtract this amount when figuring your expected AGI on line 1 of Worksheet 1	10	

Worksheet 8. Converting Credits to Withholding Allowances for 2008 Form W-4

Use this worksheet to figure an additional amount to enter on the Form W-4 Deductions and Allowances Worksheet, line 5. For more information on these credits, see *Converting Credits to Withholding Allowances*, earlier.

Caution. If you enter an amount on line 1 of this worksheet, enter -0- on line F of the Form W-4 Personal Allowances Worksheet. If you enter an amount on line 3 of this worksheet, enter -0- on line G of the Form W-4 Personal Allowances Worksheet.

For lines 1 through 9, enter the projected amount for each credit you expect to take.

- | | |
|---|-----------|
| 1. Credit for child and dependent care expenses. (See <i>Caution</i> above) | 1 |
| 2. Credit for the elderly or the disabled | 2 |
| 3. Child tax credit (including additional child tax credit). (See <i>Caution</i> above) | 3 |
| 4. Education credits | 4 |
| 5. Adoption credit | 5 |
| 6. Foreign tax credit | 6 |
| 7. Retirement savings contributions credit | 7 |
| 8. Earned income credit (unless you requested advance payment) | 8 |
| 9. Other credits (such as mortgage interest credit, credit for prior year minimum tax if you paid alternative minimum tax in a prior year, residential energy efficient property credit, and general business credit) | 9 |
| 10. Add lines 1 through 9. This is your total estimated tax credits | 10 |
| 11. Using the table below that matches your filing status, find the line in the table that matches your combined income from all sources. Then, enter here the multiplication factor shown next to your income. | |

Married Filing Joint Return or Qualifying Widow(er)		
If your combined income from all sources is:		Multiply credits by:
\$0	- \$37,000	10.0
37,001	- 85,000	6.7
85,001	- 160,000	4.0
160,001	- 230,000	3.6
230,001	- 390,000	3.0
390,001	and over —	2.8

Head of Household		
If your combined income from all sources is:		Multiply credits by:
\$0	- \$26,000	10.0
26,001	- 60,000	6.7
60,001	- 130,000	4.0
130,001	- 200,000	3.6
200,001	- 390,000	3.0
390,001	and over —	2.8

Single		
If your combined income from all sources is:		Multiply credits by:
\$0	- \$17,000	10.0
17,001	- 40,000	6.7
40,001	- 90,000	4.0
90,001	- 180,000	3.6
180,001	- 390,000	3.0
390,001	and over —	2.8

Married Filing Separately		
If your combined income from all sources is:		Multiply credits by:
\$0	- \$18,500	10.0
18,501	- 42,500	6.7
42,501	- 80,000	4.0
80,001	- 115,000	3.6
115,001	- 195,000	3.0
195,001	and over —	2.8

- | | |
|---|-----------|
| 12. Multiply line 10 by line 11. Enter the result here and include it in the total on line 5 of the Form W-4 Deductions and Adjustments Worksheet | 12 |
|---|-----------|

Worksheet 9. Projected Withholding for 2008

Use this worksheet to figure the amount of your projected withholding for 2008, compare it to your projected tax for 2008, and, if necessary, figure an additional amount to have withheld each payday.

Note. If married filing jointly, enter combined amounts.

1. Enter your projected tax for 2008 from Worksheet 1, line 13	1	
2. Enter your total federal income tax withheld to date in 2008 from all sources of income. (For wages, you should be able to find the withholding-to-date on your last pay slip or statement.)	2	
3. Enter the federal tax withholding you expect for the rest of 2008:		
a. For each source of wages, multiply the amount of federal income tax now being withheld each payday by the number of paydays remaining in the year and enter the combined amount for all jobs	3a	
b. For all other sources of recurring taxable income, multiply the withholding amount by the remaining number of times the income is expected. For example, if you have federal income tax withheld from your monthly pension and you will receive nine more payments this year, multiply your monthly withholding amount by 9	3b	
4. Add lines 2, 3a, and 3b. This is your projected withholding for 2008	4	
5. Compare the amounts on lines 1 and 4.		
• If line 1 is more than line 4, subtract line 4 from line 1. Enter the result here and go to line 6.		
• If line 4 is more than line 1, stop here and see <i>How Do I Decrease My Withholding?</i>	5	
6. Divide line 5 by the number of paydays (or other withholding events) remaining in 2008 and enter the result. This is the additional amount you should have withheld from each remaining payment. Enter this amount on Form W-4, line 6	6	

2008 Standard Deduction Tables



If you are married filing a separate return and your spouse itemizes deductions, or if you are a dual-status alien, you cannot take the standard deduction even if you were born before January 2, 1944, or you are blind.

Table 1. Standard Deduction Table for Most People*

IF your filing status is...	THEN your standard deduction is...
Single or Married filing separately	\$ 5,450
Married filing jointly or Qualifying widow(er) with dependent child	10,900
Head of household	8,000

* Do not use this table if you were born before January 2, 1944, or you are blind, or if someone else can claim an exemption for you (or your spouse if married filing jointly). Use Table 2 or 3 instead.

Table 2. Standard Deduction Table for People Born Before January 2, 1944, or Who are Blind*

Check the correct number of boxes below. Then go to the table.

You Born before
 January 2, 1944 Blind

Your spouse, if claiming Born before
 spouse's exemption January 2, 1944 Blind

Total number of boxes you checked

IF your filing status is...	AND the number in the box above is...	THEN your standard deduction is...
Single	1	\$ 6,800
	2	8,150
Married filing jointly or Qualifying widow(er) with dependent child	1	11,950
	2	13,000
	3	14,050
	4	15,100
Married filing separately	1	6,500
	2	7,550
	3	8,600
	4	9,650
Head of household	1	9,350
	2	10,700

* If someone can claim an exemption for you (or your spouse if married filing jointly), use Table 3, instead.

Table 3. Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim an exemption for you (or your spouse if married filing jointly).

If you were born before January 2, 1944, or you are blind, check the correct number of boxes below. Then go to the worksheet.

You Born before
 January 2, 1944 Blind

Your spouse, if claiming Born before
 spouse's exemption January 2, 1944 Blind

Total number of boxes you checked

1. Enter your earned income (defined below). If none, enter -0-.	1. _____
2. Additional amount	2. \$300
3. Add lines 1 and 2.	3. _____
4. Minimum standard deduction.	4. \$900
5. Enter the larger of line 3 or line 4.	5. _____
6. Enter the amount shown below for your filing status. <ul style="list-style-type: none"> • Single or Married filing separately — \$5,450 • Married filing jointly — \$10,900 • Head of household — \$8,000 	6. _____
7. Standard deduction. <ul style="list-style-type: none"> a. Enter the smaller of line 5 or line 6. If born after January 1, 1944, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b. b. If born before January 2, 1944, or blind, multiply \$1,350 (\$1,050 if married or qualifying widow(er) with dependent child) by the number in the box above. c. Add lines 7a and 7b. This is your standard deduction for 2008. 	7a. _____ 7b. _____ 7c. _____

***Earned income** includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income.*

How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, Taxpayer Advocate Service – Your Voice at the IRS. You can file Form 911, Request for Taxpayer Advocate Service Assistance (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to www.irs.gov/advocate.

Taxpayer Advocacy Panel (TAP). The TAP listens to taxpayers, identifies taxpayer issues, and makes suggestions for improving IRS services and customer satisfaction. If you have suggestions for improvements, contact the TAP, toll free at 1-888-912-1227 or go to www.improveirs.org.

Low Income Taxpayer Clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at www.irs.gov or at your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains a list of free tax publications and describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.



Internet. You can access the IRS website at www.irs.gov 24 hours a day, 7 days a week to:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your 2007 refund. Click on *Where's My Refund*. Wait at least 6 weeks from the

date you filed your return (3 weeks if you filed electronically). Have your 2007 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* To check the status of your 2007 refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you

filed electronically). Have your 2007 tax return available because you will need to know your social security number, your filing status, and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you're more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to www.irs.gov/local-contacts or look in the phone book under *United States Government, Internal Revenue Service*.



Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

National Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903



CD/DVD for tax products. You can order Publication 1796, IRS Tax Products CD/DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD - Ships with the final release.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save features for most tax forms.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The CD which is released twice during the year.
 - The first release will ship the beginning of January 2008.
 - The final release will ship the beginning of March 2008.

Purchase the CD/DVD from National Technical Information Service (NTIS) at www.irs.gov/cdorders for \$35 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll free to buy the CD/DVD for \$35 (plus a \$5 handling fee). Price is subject to change.



CD for small businesses. Publication 3207, The Small Business Resource Guide CD for 2007, is a must for every small business owner or any taxpayer about to start a business. This year's CD includes:

- Helpful information, such as how to prepare a business plan, find financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax law changes for 2007.
- Tax Map: an electronic research tool and finding aid.
- Web links to various government agencies, business associations, and IRS organizations.
- "Rate the Product" survey—your opportunity to suggest changes for future editions.
- A site map of the CD to help you navigate the pages of the CD with ease.
- An interactive "Teens in Biz" module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3676 or by visiting www.irs.gov/smallbiz.