



Big Refund? Big Tax Bill?

Updated April 29, 2005

First, some refund facts:

- Federal tax refunds to individuals totaled more than \$215 billion last year.
- More than 101 million taxpayers got refunds — that's 80 percent.
- The average refund was \$2,126.
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Where does your refund come from? It comes from your wallet or purse: when you tell your employer how much to withhold from your paycheck or you make an estimated tax payment. For the average refund, that's about \$40 a week too much. You might be using the extra withholding as a “forced savings” method. But Uncle Sam doesn't pay interest on refunds (except in special circumstances). Putting the money in any type of savings account or paying down debts might be a better option.

But not everyone gets a refund. Some even face a penalty for not paying enough tax during the year.

Why the mismatches?

Some may overlook the deductions or credits they'll take on their tax returns when they determine how much to withhold or pay estimated taxes. Others can fall short because there's no tax withholding on some of their income. If your refund was more than you like — or you had a penalty because you owed too much, or you wrote a check for more than you could comfortably afford — consider changing your tax withholding or estimated payments now. The sooner you change, the more impact it will have on the check you write or the refund you spend next year.

- If you're an employee, complete a new Form W-4 and give it to your employer. Use our online withholding calculator to help you determine the right entries.
- If you're self-employed, use the Form 1040-ES worksheet to figure the correct payment amounts for the rest of 2004.

Read IRS Publication 919, *How Do I Adjust My Tax Withholding?*
For more information. Bring the tax you pay closer to the tax you owe.

Links:

- [Withholding Calculator](#)
- [Publication 919, How Do I Adjust My Tax Withholding? \(PDF 151K\)](#)
- [Form W-4, Employee's Withholding Allowance Certificate \(PDF 53K\)](#)
- [Form 1040-ES, Estimated Tax for Individuals \(PDF 102K\)](#)

- **Electronic Payment Options** including EFTPS, the Electronic Federal Tax Payment System, it's free, you can schedule payments in advance, get acknowledgement of payment instructions and 16 months of payment history.