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IRS' New Withholding Tables May Be Costly for Retirees

As news of the president's payroll tax credit spread in early 2009 it was almost universally heralded as a great way to jump start America's flagging economy. With a payroll tax credit of up to \$800 for all workers, it provided a strong means of injecting some much-needed cash into the troubled financial system. However, in practice, what looked like a winning proposition for all, now looks as though it could be costly for one demographic in particular – American retirees.

When the IRS revised the payroll tax withholding tables the changes took effect across the board. With no earned income, retirees are not eligible for the payroll tax credit. Millions of retirees who have opted for federal income tax to be taken from their pension payouts will come up short and owe the IRS money next April when their taxes become due.

All retirees should check their records to ensure they are withholding enough from their pension payouts. If not, they can file another W-4P to boost the amount and cover all taxes that will be owed. If you have any questions about any tax related issues do not hesitate to contact your trusted advisor at Lane Gorman Trubitt, L.L.P. by calling (214) 871-7500.

Jason Leary
Marketing Manager

Lane Gorman Trubitt, L.L.P.

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