

FORM W-4

Now that you've confirmed your employee is legally allowed to work in the U.S., it's time to talk payroll. **The Form W-4** is a required part of the employee onboarding process, and it determines how much federal income tax should be withheld from an employee's paycheck.

Individuals are asked to fill out a "personal allowance worksheet" based on their marital status, whether their spouse works, and other personal factors. The more allowances specified, the less income tax is withheld from regular pay.

Getting this right matters, since withholding too few taxes might mean a big balance due when it comes time for the employee to file annual returns. Explaining the rules carefully to new hires can help avoid employee confrontations during tax season, but tread carefully—you never want to provide direct tax advice to new hires.

It's best practice to have employees review their W-4 whenever their personal or financial situation changes. There are a few instances where it's recommended or even required to have current employees fill out a new form.

These include:

- Legal name changes
- Change in marital status or birth of a child
- Annually for employees claiming exempt status

Once you have these employees fill out a new form, be sure to load any changes into your payroll and HR system.

Speaking of [HR technology](#), if your employee undergoes a name change, be sure to double check that the employee's name has been updated throughout your system. When it comes time to generate W-2s, you'll want to make sure the name matches what the IRS has on file.