State Withholding Issues

During tax season, we found that Maine had changed their withholding on your paychecks so there was a significant decrease in withholding on your 2016 paychecks. Depending on your tax situation:

A) You may have had a significantly lower Maine refund then you normally had in the past.
B) You may have ended up owing the State of Maine when you normally got a refund.
C) You may have ended up owing a significantly higher amount to the State of Maine.

Depending on who is preparing your company's payroll, you may not have seen much difference if they had not updated their computer programs.

In January 2017, the State of Maine sent out a notice regarding the calculation of your 2017 Maine withholding. I was concerned that our clients could be faced with another nasty surprise so I have done a review of the 2015, 2016 and 2017 State of Maine Withholding Charts.

The withholding in 2016 was significantly lower than 2015's withholding which is confirmed by the results our clients saw on the 2016 tax returns.

For 2017, the withholding charts remained at the same level as 2016 for those taxpayers whose income is in the low to middle range. Your withholding is based on what you claimed on your W-4 form not your marital status. Generally if you earn more than $49,000 and are claiming Single your withholding starts to decrease from the 2016 withholding. If you earn more than $103,000 and you are claiming Married your withholding starts to decrease from the 2016 withholding. Fortunately, the decreases are much less dramatic than the 2016 decreases in withholding.

The decreases in withholding start relatively small and then increase.

The withholding changes are based on your pay. Remember if you are married and file a joint tax return, the changes in the withholding will be greater than for a single person. And this is where it can become costly.

Bottom line, if you did not like your Maine refund (or owe) you need to change your withholding by claiming fewer exemptions or having extra money withheld. If you have a second job, we recommend that you claim Single 0 so you will at least have some withholding.

If you would like us to review your withholding we will need current paystubs for you (and your spouse). Please call and let us know that you will be sending them to us so we can keep an eye out for them.

You are entitled to 15 minutes a year of free consulting which would cover a withholding review. If you require more in depth assistance, you will be billed at our hourly rate of $150.00.