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Should You Get A Tax Refund???

Generally, the receipt of a refund represents an overpayment. Oh, think about it. For most people tax payers (excluding tax credit(s) etc.); a tax refund isn't free money.

In reality, it's your money that was over withheld and you failed to collect all year long. Wouldn't you be far better off claiming that cash as you earn it and using it responsibly than loaning it to your Uncle Sam for 0% in return.

The question here is why most Americans give the IRS way more money up front than they need to year after year. It's estimated that close to 80% of taxpayers wind up with a refund, and while the idea of getting on might seem like a good thing, it's actually a move that could cost you big time.

Did you know that the average American receives a \$3,120 refund at year's end? This means that they took an income deferment of \$260.00 a month. This is not only so, but they took this income deferment completely interest free; why?

Worse yet, those who earn the least are most like to overpay their throughout the year. Furthermore, 84% of workers earning less than \$50,000 a year got a refund in 2012, compared to just 34% of those earning over \$200,000; according to IRS officials.

Again, why do so many Americans over pay their taxes? It's been suggested by some; it all boils down to fear. People are worried about owing money each April that we are on the side of caution in advance.

As a result, could it be that this cash accumulation with the IRS is considered to be a forced saving to cushion an unexpected IRS bill. It's estimated that approximately 69% of Americans have less than \$1,000 in savings, while 34% have no savings at all.

Therefore, is it reasonable to assume that one's choice to over pay their taxes could be perceived as an insurance policy of sorts against owing money and not bring able to come up with the cash?

The number of allowances to claim on the W-4 has been cited as another reason why many individuals over pay. For every allowance you claim on this form will reduce the tax amount withheld from each

paycheck.

It's so important to get this number right because you may wind up owing the IRS money. On the other hand, if you don't claim enough; you'll end up paying more taxes than necessary during the year.

Using a [withholding calculator](#) can be useful in determining the number of allowances you should be claiming. So, if need be, adjust your W-4 as soon as possible. Note here that you may need the assistance of your tax professional to more precisely determine the number of allowances you should claim base on your total projected deductions. Every one's situation can differ from year to year.

Just to add insult to injury, when you defer income at zero interest, you forfeit the opportunity to invest that cash for a return throughout the year. Even addressing the fear factor, doesn't it make more sense to collect the money now and either invest or use it for something urgent rather than letting the government use your money without paying you interest. And, if it turns out you do indeed owe some money when you file your, simply dip into your savings, pay the IRS its share and keep the interest.

Stop worrying that if you don't pay enough taxes throughout the year, you'll wind up with a penalty on top of what you owe. This doesn't often happen. Generally speaking, you can avoid a penalty for underpayment if (1) the total amount you owe is less than \$1,200; (2) you paid at least 90% of the tax you owe for the year (3) you paid 100% of the tax amount from last year's return.

For an example, you pay \$20,000 in taxes (via withholdings) for the year and end up owing another \$1,200.00 when you file your return. Since you're only looking at a .06% underpayment, you will not be charged an additional penalty because you exceeded that 90% threshold. And, if you paid \$20,000 in taxes the previous year, you also should be in the clear.

As a taxpayer; exercise some control. The choice is yours, either intentionally over pay your income taxes during the year and lose or adjust your withholdings in respect to your projected total deductions keep the over payments, save, invest and win. What's your choice???

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