



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

February 25, 2019

The Honorable Ron Wyden  
United States Senate  
Washington, DC 20510

Dear Senator Wyden:

I write in response to your letter of February 15, 2019, which provides the opportunity to set the record straight on the benefits Americans are receiving from the Tax Cuts and Jobs Act (“TCJA”).

In December 2017, Congress passed and the President signed historic tax reform legislation that is projected to cut taxes for 80 percent of American families. The average tax cut for these families is estimated to be more than \$2,000 per family for tax year 2018. Additionally, TCJA doubled the Child Tax Credit and nearly doubled the standard deduction for working families. Only five percent of taxpayers are projected to pay higher taxes, and the remaining 15 percent are projected to experience no change.

Some of the historic tax cut provided by TCJA was reflected in paychecks throughout the year, and the remainder will appear in refund checks. By law, taxes must be paid as income is earned during the year, in accordance with withholding tables issued by the IRS. It would have been unfair and inappropriate for the government to have over-collected workers’ hard-earned money all year by failing to adjust withholding tables in a timely manner when tax rates were reduced. Accurate withholding guarantees that the millions of American families entitled to a tax cut can use or invest that money as they earn it, rather than effectively making interest-free loans to the government.

The Government Accountability Office (“GAO”) recognized Treasury and IRS’s careful work on the 2018 withholding tables and did not find any evidence of improper manipulation.<sup>1</sup> Following the passage of the TCJA, the Administration issued withholding tables for 2018 that accurately accounted for the increase in the standard deduction, elimination of personal exemptions, and reduction in tax rates. As a result of these changes, withholding for 2018 was exactly accurate in the simplest case of a worker who claims the standard deduction and has only one job, no dependents, and no non-wage income, if the worker followed the instructions for Form W-4. The construction of the tables was exactly the same for 2018 as in prior years. There was absolutely no manipulation of the tables and no “phantom windfall” in taxpayers’ paychecks.

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<sup>1</sup> See GAO-18-548, Federal Tax Withholding, <https://www.gao.gov/assets/700/693582.pdf>.

Treasury and IRS are aware that while the withholding tables produce exactly accurate withholding for simple cases, other taxpayers may be over- or under-withheld. For example, the withholding tables cannot take into account dependent exemptions or itemized deductions, and they never have. Treasury and IRS updated the Form W-4 instructions to provide accurate withholding for taxpayers affected by these and other provisions, fully accounting for the TCJA. And, as documented by GAO, IRS conducted extensive outreach over the course of 2018 to encourage taxpayers to submit new Forms W-4 to avoid such increases in under-withholding.<sup>2</sup> This outreach was particularly targeted to taxpayers with children and those who had previously claimed itemized deductions.

You state that tens of millions of taxpayers will be under-withheld for 2018 and suggest that this is due to the TCJA. The TCJA, and our implementation of the law through the withholding tables and Form W-4 instructions, will not cause tens of millions of taxpayers to be under-withheld. Rather, tens of millions of taxpayers are under-withheld every year, due to taxpayers' choices or the difficulties some taxpayers face in adjusting withholding to account for changes in their circumstances each year. Recognizing that because the TCJA is new and some taxpayers will not have understood that they should check their withholding despite the extensive outreach efforts, IRS recently announced that taxpayers would not be subject to the usual underpayment penalties as long as they timely paid at least 85 percent of the tax they owe. This will provide substantial relief to many taxpayers without creating large windfalls for taxpayers who would have been under-withheld in any event.

As reported by GAO, Treasury and IRS tax professionals developed the 2018 withholding tables and Form W-4 instructions, and Treasury leaders adopted their recommendations. The assertion that these dedicated civil servants manipulated the system for political purposes is misinformed, baseless, and false.

Thank you again for the opportunity to provide this information about income tax withholding and the tax cuts provided by the TCJA. If you have any further questions, please contact the Office of Legislative Affairs.

Sincerely,



J. Brady Howell  
Senior Advisor  
Office of Legislative Affairs

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<sup>2</sup> Ibid., pages 16-19.

Identical letter sent to:

The Honorable Charles E. Schumer

cc: The Honorable Maria Cantwell  
The Honorable Thomas R. Carper  
The Honorable Tammy Baldwin  
The Honorable Richard J. Durbin  
The Honorable Chris Van Hollen  
The Honorable Patty Murray  
The Honorable Sheldon Whitehouse  
The Honorable Edward J. Markey  
The Honorable Ben Cardin  
The Honorable Robert Menendez  
The Honorable Amy Klobuchar  
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The Honorable Elizabeth Warren  
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The Honorable Charles P. Rettig