



Guide to Completing a W4 for Withholding Adjustments

Adjust your W4 withholding to cover both wages, self-employment income, and investment or other income

1. Understand Why This Matters

Wage Income: Your employer withholds federal income tax from your paycheck based on the information you provide on Form W-4.

Investment Income: Taxes are usually not withheld from investment income (unless you request it or are subject to backup withholding). If you don't account for this income, you may owe tax (and possibly penalties) when you file your return.

Goal: Adjust your W-4 so that your total withholding covers both your wage, self-employment, and investment income tax liability. Remember you may need to complete new W-4 forms if your financial situation, life situation (marriage, new baby, new job/big raise, etc), or the tax law changes.

2. Gather Your Information

- Your most recent pay stubs for you and your spouse.
- Your most recent tax return or 1099s (to estimate investment income and tax credits).
- An estimate of your 2025 investment income (interest, dividends, capital gains, crypto, etc.).

3. Filling Out the W-4: Key Steps

Step 1: Personal Information

- Complete as usual with your name, address, Social Security number, and filing status.

Filing Status: If you're married, you'll likely check "Married filing jointly."

Step 2: Multiple Jobs or Spouse Works

- If both of you work, follow the instructions in Step 2 of the W-4. You can use the IRS Tax Withholding Estimator ([IRS.gov/W4App](https://irs.gov/W4App)) for the most accurate results.

Only one spouse should complete Steps 3–4(b) for the highest paying job.

Step 3: Claim Dependents

Enter the number of dependents and credits you expect to claim.

Step 4: Other Adjustments

This is where you account for investment income and any other non-wage income.

- **Step 4(a): Other Income (Not from Jobs)**
 - Enter the total amount of investment income you expect to receive in 2025 (interest, dividends, capital gains, cryptocurrency related income, any other taxable non-wage income you expect to receive, etc.).
 - This will increase your withholding to cover the tax on this income.
- **Step 4(b): Deductions**
 - If you plan to itemize deductions and they will be more than the standard deduction, enter the difference here. The IRS announced the standard deduction for 2025 for married filing jointly will be \$30,000.

- **Step 4(c): Extra Withholding**

- If you want to have an additional flat dollar amount withheld from each paycheck, enter it here. This is another way to cover investment income tax if you prefer.

4. Example

Suppose you and your spouse expect \$10,000 in investment income for 2025, in addition to your wages.

- On the W-4 for the highest paying job, in Step 4(a), enter \$10,000.
 - The payroll system will treat this as extra taxable income and withhold more tax from your paychecks throughout the year.

5. Check Your Withholding

Use the [IRS Tax Withholding Estimator](#) to check if your withholding will be enough to cover your total tax liability (wages + investment income).

If you find you're still under-withheld, you can increase the amount in Step 4(c) for extra withholding.

6. Review and Update as Needed

- Review your withholding at least once a year, when your financial situation changes (e.g., new job, big raise, significant change in investment income), life situation changes (marriage, new baby, etc) or when the tax law changes. You can submit a new W-4 to your employer at any time.

Summary Table: Where to Report on W-4

W-4 Step	What to Enter	Why?
Step 1	Personal info & filing status	Standard info
Step 2	Multiple jobs/spouse works	Ensures correct withholding
Step 3	Dependents/credits	Reduces withholding if eligible
Step 4(a)	Investment income (interest, dividends, etc.)	Increases withholding for investments
Step 4(b)	Deductions (if itemizing)	Reduces withholding if eligible
Step 4(c)	Extra withholding (optional)	Further increases withholding

7. Other Tips

- If you have large investment income, you may also need to consider the Net Investment Income Tax (NIIT) if your income exceeds certain thresholds (\$250,000 for married filing jointly). NIIT is an additional 3.8% tax on net investment income

If you expect to owe \$1,000 or more in tax after withholding and credits, you may need to make estimated tax payments to avoid penalties, but adjusting your W-4 as described above can help you avoid this.

Summary:

To cover both wage and investment income taxes, estimate your total investment income for the year and enter it in Step 4(a) of the W-4 for the highest paying job. Review your withholding using the IRS estimator, and adjust as needed. This will help you avoid a surprise tax bill or penalties at tax time.