The IRS is warning retirees of this impending surprise tax

Darla Mercado | @darla_mercado

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When the IRS repeatedly warns you of an impending tax bill, you should listen.

The tax agency has been on an awareness campaign all summer, telling filers that they may need to review and update their withholding at work to ensure they're paying the right amount of federal income tax.

Uncle Sam is now sending retirees a heads-up, too: Be sure you're withholding enough tax from your pension or annuity, or else face a nasty tax bill next spring.

This can be easier said than done.

Once older Americans have left the workplace, they begin drawing down income from a range of sources. This could include Social Security, pensions and retirement withdrawals.

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The income tax picture also becomes more complex: While they were working, today's retirees were able to automatically pay their withholding with each paycheck.

Now, they'll need to write checks for estimated amounts to the IRS four times a year.

“With estimated tax payments, there’s the issue of making sure they actually paid the tax,” said Harjit Virk, a CPA and senior associate at Getzel Schiff & Pesce in Woodbury, New York

“Sometimes you have to send reminders when the payments are due,” he said.

Here’s how to simplify your tax payments so that you can get back to enjoying your retirement.

Withhold enough

You may be familiar with the new withholding tables from the IRS. These, along with Form W-4, guide employers as to how much tax ought to be pulled from your paycheck.

Pinning the amount you need to pay in tax is an art: If you withhold too much, you end up with an outsized refund next April. Pay too little, and you could owe the IRS next spring.

The benefit for you is the automation of those tax payments and knowing you'll make them faithfully.

Social Security

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Be aware that if you're single and your adjusted gross income, plus nontaxable interest and half of your annual Social Security benefits exceed $34,000 (or $44,000 for married joint filers), up to 85 percent of your Social Security benefits may be taxed.

Rather than paying the amount owed every quarter, filers can use Form W-4V to withhold a flat rate from each check: 7 percent, 10, percent, 12 percent or 22 percent.

Pensions and annuities

Retirees receiving a pension payment or an annuity can opt to have taxes withheld from their income, using Form W-4P and electing the number of allowances they would like to claim.

The more allowances you take, the less money you'll have withheld.

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"Work with your accountant to tailor your tax load: While your withholding forms may address your federal income taxes, some states don't assess levies on Social Security or certain pension benefits.

"Get an idea of what you need to have paid in by the end of the year in order to avoid the penalties," said Tim Steffen, CPA and director of advanced planning at Robert W. Baird & Co. in Milwaukee.

"You'll need a projection, an idea of what the taxes are this year," he said. "For someone who's a new retiree, it's hard to figure that out without getting help on the calculation."

Your 401(k) and IRA

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If you're over 70½, you'll have to start taking required minimum distributions (RMD) from your qualified retirement accounts. Those who don't actually need the cash have a variety of options as to how best use the payment.

Here's a strategy: Instead of making estimated quarterly tax payments, use all or some of the RMD at the end of the year to pay the bill.

In this case, you would notify the custodian holding your retirement savings that you would like to withhold taxes from the RMD. This way, the IRS treats it as though you've been making the payments all year.

Avoid errors

Be careful: If you were to deposit the RMD into your bank account and then write a check for the year's estimated taxes, you could face penalties for all the quarters you missed.

"If you make the big estimated payment from a check, it's treated as though you just paid it that day," said Jeffrey Levine, CPA/certified financial planner and CEO of BluePrint Wealth Alliance in Garden City, New York.

The other major flub to avoid: Forgetting that the RMD itself is a taxable payment.

"If you project that the liability is $10,000 and you take an RMD and withhold that amount, you're going to owe more for the distribution itself," said Virk of Getzel Schiff & Pesce.

"People forget to account that the RMD is taxable and must be included in the tax calculations," he said.

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