

# 30M taxpayers under-withheld

The Associated Press

WASHINGTON — Congressional auditors say about 30 million people — 21 percent of U.S. taxpayers — will have to come up with more money to pay their taxes next year because their employers withheld too little from their paychecks under government tables keyed to the new tax law.

New tax withholding tables for employers were put together by the government early this year. About 30 million workers received pay that was “under-withheld” — making their paychecks bigger this year but bringing a larger bill at tax time next spring, according to the Government Accountability Office’s report.

About 27 million taxpayers would have been affected even if the new law hadn’t been enacted. The changes, however, added 3 million to that number.

The Treasury Department and the IRS are responsible for updating the tax withholding tables each year. Highlighting the importance of accurate tables, the GAO said Treasury and the IRS currently don’t lay out in writing their roles and responsibilities for



Government tables tied to the new tax law have resulted in “under-withholding” for many taxpayers.

annual updates. The auditors recommended that they do so, in accordance with federal standards for internal controls.

Treasury and the IRS agreed with that recommendation, the report said.

The report by the indepen-

dent auditors was requested in January by the senior Democrats on the Senate and House tax-writing committees, Sen. Ron Wyden of Oregon and Rep. Richard Neal of Massachusetts. They asked the GAO to analyze the withholding tables under the new

tax law to make sure workers’ paychecks weren’t being under-withheld.

Treasury Secretary Steven Mnuchin, speaking at a White House press briefing early this year, dismissed that notion as “ridiculous.”

Wyden on Tuesday called

the GAO report “an alarm bell for the nearly 30 million households that are expected to owe more money come tax time this spring.”

“Withholding tables directly affect the size of paychecks earned by Americans all across the country, and millions of American taxpayers have gotten bad advice under this administration on how much to withhold,” Wyden said in a statement.

He said the lack of written documents on Treasury and IRS roles “is an opening for future abuse.”

Tax experts suggest that all taxpayers look at the online tax withholding calculator issued by the IRS in February, to ensure they are having the correct amount withheld. Taxpayers also should update the information on their W-4 forms, experts say.

The IRS has said the new withholding tables should produce an accurate withholding amount for people with simpler tax situations. But experts say those who will still itemize under the new law, or have larger families or more complicated tax situations may want to take a closer look.

## Administration studies big tax break for wealthy

The Associated Press

WASHINGTON — The Trump administration is studying the idea of implementing a big tax break for wealthy Americans by reducing the taxes levied on capital gains, but no decision has been made yet on whether to proceed.

Administration officials said Tuesday that Treasury Secretary Steven Mnuchin prefers deferring to Congress. But he does have his department studying the economic impact of such a change and the legality of proceeding without congressional approval.

The change would involve taxing capital gains — profits on investments such as stocks or real estate — after taking into account inflation, which

would lower the tax bite. Capital gains taxes are currently determined by subtracting the original price of an asset from the price at which it was sold and taxing the difference without adjusting for inflation.

For example, a stock purchased in 1990 for \$100,000 and sold today for \$300,000 would produce a \$200,000 capital gain. That amount, taxed at the top capital gains rate of 23.8 percent, would result in a tax bill of \$47,600. However, if the \$200,000 gain was trimmed to just \$103,000 by adjusting for inflation over the past 28 years, the tax bill would be \$24,514.

“There has been a great deal of interest in this provision for a long time,” said a White House official who spoke on condition of anonymity to dis-

cuss internal policy deliberations. “Treasury is currently evaluating the economic impact and whether it can be achieved without legislation.”

Indexing capital gains for inflation would reduce federal revenue by about \$102 billion over a decade, according to the Penn-Wharton Budget Model. The Congressional Research Service has estimated that about 90 percent of the benefits would go to the top 1 percent of households.

Republican House Ways and Means Committee Chairman Kevin Brady is leading an effort to extend and expand the \$1.5 trillion tax cut that President Donald Trump pushed through Congress last December.

“If it can’t be done through a legislative process, we will look



Steven Mnuchin: Prefers deferring to Congress on capital gains cut.

at what tools at Treasury we have to do it on our own and we’ll consider that,” Mnuchin said in an interview with the Times in which he emphasized that he has not yet concluded that Treasury has the authority to act alone.

Treasury acting on its own “would almost exclusively bene-

fit the wealthiest Americans, add \$100 billion to the ballooning deficit, further complicate the tax code and ignore the need for congressional approval,” Sen. Ron Wyden of Oregon, the top Democrat on the Senate Finance Committee, and other Democrats on the panel said in a letter to Mnuchin in May.