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Ten Things You Should Know about the Making Work Pay Tax Credit

Many working taxpayers are eligible for the Making Work Pay Tax Credit, a provision created by the American Recovery and Reinvestment Act in early 2009.

Here are 10 things the IRS wants you to know about this tax credit to ensure you receive the entire amount for which you are eligible.

1. In 2009 and 2010, the Making Work Pay provision provides a refundable tax credit of up to \$400 for individuals and up to \$800 for married taxpayers filing joint returns.
2. For taxpayers who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes.
3. Taxpayers receiving less than the full amount of the allowable credit through reduced withholding will be entitled to claim any remaining credit when they file their tax return.
4. The amount of the credit actually received during 2009 in the form of reduced withholding will be reported on your 2009 tax return. Taxpayers who do not have taxes withheld by an employer during the year can claim the credit on their 2009 tax return filed in 2010.
5. Taxpayers who file Form 1040 or 1040A will use Schedule M, Making Work Pay and Government Retiree Credits to figure the Making Work Pay Tax Credit. Completing Schedule M will help taxpayers determine whether they have already received the full credit in their paycheck or are due more money as a result of the credit.
6. Taxpayers who file Form 1040-EZ will use the worksheet for Line 8 on the back of the 1040-EZ to figure their Making Work Pay Tax Credit.
7. In 2010, you may notice that your paychecks are slightly lower than in 2009. The slight decrease may be because of the Making Work Pay Credit. Most of the credit for wage earners is distributed through reduced withholding. The credit – which was spread out over nine months last year – is being spread over 12 months this year. A little less credit in each paycheck means slightly higher withholding. But don't worry, in the end it all adds up.
8. Certain taxpayers should review their tax withholding to ensure enough tax is being withheld in 2010. Those who should pay particular attention to their withholding include: married couples with two incomes, individuals with multiple jobs, dependents, pensioners, Social Security recipients who also work, and workers without valid Social Security numbers.

Having too little tax withheld could result in potentially smaller refunds or – in limited instances – small balance due rather than an expected refund.

9. To ensure your current withholding is appropriate for your individual situation, you can review Publication 919, How Do I Adjust My Tax Withholding? You can also perform a quick check of your withholding using the interactive IRS Withholding Calculator on IRS.gov.

10. If you find you need to adjust your withholding, submit a revised Form W-4, Employee's Withholding Allowance Certificate to your employer.

Visit IRS.gov for more information about the making Work Pay Tax Credit, Schedule M, Form W-4 or Publication 919. You can also call 800-TAX-FORM (800-829-3676) to order forms and publications.