

## The Making Work Pay Tax Credit

Attention Employers: The IRS has issued [updated withholding tables](#) to help you implement the withholding adjustments required by the new economic stimulus law. [News release 2009-13](#) includes information about these tables.

More details about the Making Work Pay credit will be available soon in Publication 15, (Circular E), Employer's Tax Guide.

### General Information

For 2009 and 2010, the Making Work Pay provision of the American Recovery and Reinvestment Act will provide a refundable tax credit of up to \$400 for working individuals and \$800 for married taxpayers filing joint returns.

This tax credit will be calculated at a rate of 6.2% of earned income and will phase out for taxpayers with adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly.

For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. The amount of the credit must be reported on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return.

It is not necessary to submit a Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised [W-4](#) to ensure enough withholding is held to cover the tax for his or her combined income. [Publication 919](#) provides additional guidance for tax withholding.