

March 4, 2009
MAKING WORK PAY TAX CREDIT

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 tax payers 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 the 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 the 2009 tax return.

The tax credit does not apply to nonresident aliens. Therefore the amount to add to a nonresident alien employee's wages for calculating income tax withholding only has been increased to \$7,180/annually or \$138/weekly.

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.

NOTE: If your reduction in Federal Withholding is less than what you are entitled to, you will still be able to get the difference when you file your tax return in 2010. By the same token, if the new withholding tables give you too much of a credit on your Federal Withholding you may end up owing when you file your tax return in 2010.

Please feel free to contact Michelle Scribner in the payroll department should you have any further questions or concerns.

March 4, 2009
TEMPORARY INCREASE IN EARNED INCOME TAX CREDIT

According to the American Recovery and Reinvestment Act of 2009, there is a temporary increase in the Earned Income Tax Credit (EITC).

- For taxable years beginning in 2009 and or 2010, eligible taxpayers with 3 or more qualifying children, the credit percentage has been increased to 45% to the family's first \$12,750 of earned income.
- The marriage penalty has been changed and the dollar amount in effect shall be \$5,000, to be adjusted for inflation in 2010 (built into tables)