



MAKING WORK PAY CREDIT

February 21, 2009 –

On February 21, the IRS released Notice 1036, containing new income tax withholding tables. These may be used immediately, but it is requested that all employers implement the new withholding no later than April 1, 2009. The new tables incorporate the new Making Work Pay credit, one of the key provisions included in the American Recovery and Reinvestment Act of 2009 that became law February 17. 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. Employees get the credit's benefits in advance via lower withholding. Employees do not need to fill out a new Form W 4, as the new tables have been developed to apply for withholding for all employees and to take into account all current tax provisions. However, employees that pay estimated tax payments and rely on withholding from their wages to meet their tax obligation could find that they still have a tax liability at the end of the year. An employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised Form W 4 to ensure enough withholding is held to cover the tax for his or her combined income.

Links - Notice 1036 http://www.irs.gov/pub/irs_pdf/n1036.pdf

Making Work Pay Credit <http://www.irs.gov/newsroom/article/0,,id=204447,00.html>

Withholding Tables http://www.irs.gov/pub/irs_pdf/n1036.pdf

Individual Incentives

Business Incentives