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To: Valued DHR client  
Date: March 6, 2009  
Re: Making Work Pay Tax Credit

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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.

Taxpayers will not get a separate, special check mailed to them from the IRS like last year's economic stimulus payment. Instead, 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. In fact, DHR began processing the credits effective March 1, 2009.

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.

Eligible workers will get the benefit of this change without any action on their part. This means workers do not need to fill out a new W-4 withholding form to get the Making Work Pay credit reflected in their take-home pay.

However, employees with multiple jobs and married couples may want to submit revised Form W-4 forms to ensure enough withholding is held to cover the tax for the combined income. IRS Publication 919 provides additional guidance for tax withholding, and can be found on-line through the IRS website ([www.irs.gov](http://www.irs.gov)). In the alternative, employees should ask their tax professional for additional guidance.

If you have any questions regarding the Making Work Pay Tax Credit, please contact us at 1-877-HR HELP-2.

888.870.5588