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*Tax Information for
Tax Practitioners*

MAKING WORK PAY CREDIT—SPECIAL ALERT

Is Your Client in the Making Work Pay Credit “Danger Zone?”

Most employees got a bump in their take home pay beginning in April, thanks to reduced federal income tax withholding related to the advanced payment of the Making Work Pay Credit.

The Making Work Pay Credit (MWPC)

- A refundable credit equal to the lesser of 6.2% of earned income or \$400 (\$800 MFJ)
- Available for calendar years 2009 and 2010
- Phases out for MAGI of \$75,000-\$95,000 (\$150,000-\$190,000 MFJ)
- Reduced by \$250 Economic Recovery Payment received in 2009
- Dependents and nonresident aliens are not eligible
- Taxpayer must have valid SSN
 - **Important:** On a joint return, only one taxpayer must have valid SSN
- Claimed on Schedule M (Form 1040 or Form 1040A) or as a line entry (Form 1040EZ)
- All eligible workers will claim the credit

The Danger Zone

The MWPC has been advanced to most wage earners via reduced withholding which began last April. The MWPC Danger Zone refers to the fact that some workers may have their federal income tax withholding reduced by *more than* the Making Work Pay Credit they will claim on their 2009 tax return. This happens because the withholding tables cannot take into account all aspects of a worker’s tax situation, such as multiple jobs or dependency status.

Who is in the Danger Zone?

The following individuals may be in the MWPC Danger Zone:

- Taxpayers with more than one job (See Example 1 below)
- Joint filers who both work (See Example 2 below)
- Individuals who received the \$250 Economic Recovery Payment and who still work (See example 3 below)
- Dependents, whether or not they are claimed on the other person’s tax return
- Taxpayers whose total income puts their modified AGI in or above the phaseout range

Example 1: Bob is single and has two jobs. His withholding was reduced by \$400 for Job 1 and \$350 for Job 2, for a total reduction of \$750. Bob’s maximum MWPC is \$400. He is under withheld by \$350 (\$750-\$400).

Example 2: Dan and Diane are married and both work. Withholding for each is reduced by \$600, for a total of \$1,200. Their maximum MWPC is \$800. They are under withheld by \$400 (\$1200-\$800).

Example 3: Sally is semi-retired. She qualified for and received a \$250 Economic Recovery Payment last May. She also earned \$10,000 from a part-time job. Her withholding was reduced by \$340. Sally’s MWPC is \$400 – \$250 = \$150. She is under withheld by \$190 (\$340-\$150).

How You Can Help

You have a variety of tools available to assist taxpayers in understanding if they are in the Danger Zone and also estimate if their current withholding elections on Form W-4 will result in a desired refund or balance due.

[2009 Making Work Pay Calculator](#) on [hrblock.com](#)

Use this calculator to determine if taxpayers are likely to have a withholding reduction greater than the Making Work Pay Credit that they’ll be able to claim on their 2009 return.

[Making Work Pay Credit information](#) on MyBlock

Learn about the company’s efforts to inform taxpayers who may be in the Danger Zone.

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