The American Recovery and Reinvestment Act of 2009 (ARRA)
Making Work Pay Credit Frequently Asked Questions (FAQs)

These are frequently asked questions (FAQs) and related answers to inform you about this Federal Credit. Please consult with your tax advisor for further clarification.

1Q: What is the "Stimulus Bill" American Recovery and Reinvestment Act (ARRA)?

1A: The ARRA became law on February 17, 2009 and is designed to provide tax relief to businesses and individuals through provisions that encourage job preservation and creation, investments in infrastructure and energy-efficient property, and assistance to the unemployed.

2Q: What is the Making Work Pay Credit?

2A: The Making Work Pay Credit is one of the key tax provisions included in the ARRA. The ARRA created this new tax credit of up to $400 for working individuals and up to $800 for married couples filing jointly. The Credit is phased out for individuals with a modified Adjusted Gross Income (AGI) in excess of $75,000 and for married couples filing joint returns with a modified AGI in excess of $150,000.

3Q: How can the Making Work Pay Credit be claimed?

3A: This credit may be claimed either as a reduction by your employer in the amount of income tax withheld from your paychecks or through a credit on a tax return. Though all eligible taxpayers will need to claim the credit when they file their 2009 income tax return next year, this benefit credit will automatically be reflected on your paychecks beginning with pay date March 13, 2009 and continue through the end of the calendar year. Taxpayers who do not have taxes withheld by an employer during the year can claim the credit on their 2009 tax return.

4Q: For what tax years will this Credit be available?

4A: The credit will be available for tax years 2009 and 2010.

5Q: Will there be new withholding tax tables to use for this Credit?

5A: Yes, the new withholding tax tables have been developed by the IRS due to changes to the tax law made in ARRA. You can find those tables in Publication 15-T by visiting www.irs.gov.

6Q: When will this become effective?

6A: The IRS asks that employers begin using these new withholding tax tables as soon as possible, but no later than April 1, 2009. As an employer, Miami-Dade County will implement the new withholding tax tables starting with pay date March 13, 2009. The new withholding tables will result in more take-home pay for many employees. However, higher income employees will see little or no change in their take-home pay.

7Q: What action should I take to get this Credit?

7A: As an employee, no action is needed on your part to get the withholding change. The credit will be automatically applied to your bi-weekly pay starting with pay date March 13, 2009 and will continue thru the end of the calendar year. Please consult with your tax advisor for further advice on withholding changes or tax implications on your 2009 tax return.

8Q: Do I have to fill out a new W-4 form?

8A: No, it is not necessary to submit a new Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined income 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. IRS Publication 919 available at www.irs.gov provides additional guidance for tax withholding.

9Q: Will I get a separate check from the IRS?

9A: No, you will not get a separate check for this credit mailed to you from the IRS like last year's economic stimulus payment.

10Q: What if I do not want my income tax withholding reduced?

10A: If you do not want to have your withholding reduced (because, for example, you have more than one job or you are married and your combined income places you in a higher tax bracket), you may want to file a new form W-4 with your Departmental Personnel Representative to be forwarded to the Human Resources Administrative Services Division. You may claim fewer withholding allowances on line 5 or request additional amounts to be withheld on line 6 of Form W-4. For additional help, you may obtain IRS Publication 919, "How do I adjust my Tax Withholding?" at the IRS website www.irs.gov.

11Q: What is the EITC?

11A: The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low to moderate income working individuals and families. It was created to offset the burden of social security taxes and to provide an incentive to work.

12Q: How does ARRA affect the EITC?

12A: ARRA temporarily increases the EITC for qualifying families with three or more children. Under prior law, the EITC was equal to 40 percent of the first $12,570 of earned income. ARRA increases the credit to 45 percent of the first $12,570 of earned income. Payroll tables have been updated to incorporate this change starting with pay date March 13, 2009.