

Making Work PAY



The Making Work Pay tax credit adjusts wage withholding so you, the employee, will have more “take-home” pay each week. It is not necessary for you to fill out a new Form W-4 as the tax withholding tables have been adjusted to reflect this credit. The credit is equal to \$400 per individual or \$800 for married couples.

If you are single, there is no need to be concerned. Your withholding will be adjusted by \$400 based on the new tax tables.

However if you are married and you are claiming married on your current W-4, there is a potential for your federal tax to be under withheld at the end of the year. Below are two examples to help explain this issue:

Example #1:

You are married and claiming married on your W-4 and your spouse does NOT work. You will receive the full \$800 for both you and your spouse through the adjusted tax tables. No charge to your W-4 is necessary – No worries!

Example #2:

You are married and both you and your spouse work and claim married on your W-4s. Each of you will receive the full \$800 credit based on the adjusted tax tables for married persons. This will result in your potentially being under withheld by \$800 when you file your return. Here are some different options to adjust your withholding:

1. Change your W-4 exemption amounts. If both of you can reduce your exemption amount by one (1), your withholding each pay will increase enough to cover the \$800. If only one of you changes your exemption amount it should be reduced by two (2), if possible, to cover the full amount of under withholding. If you are both claiming zero and can't reduce your exemptions, one of the options below should be considered.
2. Change both of your W-4's to have an additional amount withheld. Each of you would take \$400 and divide by the number of payrolls left in 2009 and ask for that amount to be withheld each pay. For a weekly payroll June – December has 30 Friday pays ($\$400/30=\13.33)
3. Change only ONE of your W-4s to have an additional amount withheld and leave the other as it is. Take \$800 and divide by the number of payrolls left in 2009 and ask for what amount to be withheld each pay. For a weekly payroll June – December has 30 Friday pays. ($\$800/30=\26.67)

Please keep in mind, everyone's situation is different. This notice is intended to make you aware that there is potential for under withholding and to give you some guidelines for adjusting your W-4 to compensate for it. You should consider consulting with Hamilton Accountancy before making any changes.