

 Fact Sheet

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## **Most Workers Need to File New Schedule M; Making Work Pay Credit Offers Tax Savings Up to \$800**

*Video: Making Work Pay-Smaller Take-Home Pay? [English](#)*

FS-2010-7, January 2010

Two special tax credits offer taxpayers an opportunity to lower their tax bill or increase their refunds this filing season. Both credits are claimed on new Schedule M, Making Work Pay and Government Retiree Credits.

The making work pay credit helps millions of workers and self-employed individuals, while the government retiree credit especially targets former government workers who aren't receiving Social Security benefits. Income limits apply to the making work pay credit but not to the government retiree credit. Both credits are refundable — meaning that those eligible can get them even if they owe no tax. Here are further details on each of these credits.

### **Making Work Pay Credit**

Most eligible taxpayers qualify for the maximum making work pay credit of \$800 for a married couple filing a joint return or \$400 for other taxpayers. The credit equals 6.2 percent of earned income up to the maximum amount. Thus, any eligible couple whose earned income is \$12,903 or more qualifies for the \$800 maximum credit. Other taxpayers qualify for the \$400 maximum if their earned income is \$6,451 or more.

For most workers, the credit is based on the taxable wages reported to them on Forms W-2. Self-employed individuals figure the credit using the net profit or loss they receive from a business or farm. Additional calculations are necessary for some taxpayers, including those who have net business losses, wages from work performed while a prison inmate or foreign earned income. More information, including a worksheet, can be found in the instructions for Schedule M.

Some taxpayers are not eligible for the making work pay credit, including:

- Joint filers whose modified adjusted gross income (MAGI) is \$190,000 or more.
- Other taxpayers whose MAGI is \$95,000 or more.
- Anyone who can be claimed as a dependent on someone else's return.
- A taxpayer who doesn't have a valid social security number.

- Joint filers, if neither spouse has a valid Social Security number.
- Nonresident aliens.

Other taxpayers qualify for the credit but must reduce the amount of the credit they claim, including:

- Joint filers whose MAGI is more than \$150,000 but less than \$190,000.
- Other taxpayers whose MAGI is more than \$75,000 but less than \$95,000.
- Taxpayers who received an economic recovery payment. This special \$250 payment was made during 2009 to recipients of Social Security benefits, supplemental security income (SSI), railroad retirement benefits or veterans disability compensation or pension benefits.
- Taxpayers who claim the government retiree credit.

See Schedule M and its instructions for details.

Though all eligible taxpayers must file Schedule M to claim the making work pay credit, most workers got the benefit of this credit through larger paychecks, reflecting reduced federal income tax withholding during 2009.

### **Government Retiree Credit**

This credit is designed to provide a benefit equivalent to the economic recovery payment to those government retirees who did not qualify for these payments. Retired federal, state or local government employees who receive pensions in 2009, based on work not covered by Social Security, are eligible to claim this credit. The credit is \$250. For joint filers the credit is \$500 if both spouses are retired government employees who receive pensions based on work not covered by Social Security. The credit cannot be claimed by an individual if he or she received an economic recovery payment during 2009. See Schedule M and its instructions for details.