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

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Once again, a special tax credit offers taxpayers an opportunity to lower their tax bill or increase their refunds on their 2010 federal tax returns. Available to both [Form 1040](#) and [Form 1040A](#) filers, this credit is claimed on [Schedule M](#), Making Work Pay Credit.

The Making Work Pay Credit helps millions of workers and self-employed individuals. Although income limits apply to this credit, it is refundable — meaning that those eligible can get it even if they owe no tax.

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 2010.

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 filing a joint return whose earned income is \$12,903 or more qualifies for the \$800 maximum credit. This is true even if the income is earned entirely by one spouse. 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, 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.

See Schedule M and its instructions for details.