Make Sure you Get the Credit You Deserve

The Making Work Pay Credit was the centerpiece of the stimulus legislation, The American Recovery and Reinvestment Act of 2009. The Making Work Pay Credit is an individual tax credit in the amount of 6.2% not to exceed $400 for single taxpayers and $800 for couples filing joint returns in 2009 and 2010. The credit is phased out when adjusted gross income exceeds $75,000 for single taxpayers and $150,000 for married taxpayers filing joint returns.

Unlike the $600 lump-sum rebate paid in 2008, the Making Work Pay Credit could be claimed as a credit on a tax return or as a reduction in the amount of federal income tax that was withheld from a paycheck. Many taxpayers have already received the benefit of this credit every pay period through reduced tax withholding.

The Making Work Pay Credit is based on wages. Since many persons are not earning income, the legislation also included a one-time Economic Recovery Payment of $250 to retirees, disabled persons, social security and SSI recipients and veterans receiving disability compensation and pensions benefits from the Department of Veterans Affairs. This $250 payment is also referred to as the Government Retiree Credit and reduces any allowable Making Work Pay Credit if you have qualifying earned income.

To claim either one of the credits, you must file Schedule M, Making Work Pay and Government Retiree Credits, with your 1040A or 1040. The credit as adjusted on Schedule M is then reported on line 63 of your 1040 or line 40 of your 1040A.

According to the IRS, early tax filing trends indicate that some working taxpayers who received the Economic Recovery Payment and are also eligible for the Making Work Pay Tax Credit are slowing down their tax refunds by not properly reporting the $250 payment on their tax returns. Anyone who received the one-time Economic Recovery Payment must reduce the Making Work Pay Credit they claim by the amount of the one-time payment.

You can be sure to properly account for the Economic Recovery Payment by properly reporting it on IRS Schedule M when you claim the Making Work Pay Tax Credit. If you received a one-time payment but do not report it on your return, it will slow your refund.

Benefit recipients who are not certain if they received the $250 Economic Recovery Payment should verify that information by contacting the appropriate agency (the Social Security Administration, Department of Veterans Affairs or the Railroad Retirement Board) before preparing and filing their tax return and claiming the Making Work Pay Tax Credit.

Note: Haiti Earthquake Charitable Contributions Prior to March 1, 2010 (and After January 11, 2010) Can Be Deducted in 2009.

Taxpayers who itemize deductions can generally claim a deduction for charitable contributions only for the taxable year in which such charitable contributions are made. To encourage immediate contributions to charities for Haiti earthquake relief, recent legislation allows taxpayers who make charitable contributions of cash (not property) between January 12, 2010 and February 28, 2010 to assist the victims of the Haiti earthquake to take a deduction for those contributions on their 2009 tax returns at their election or on their 2010 returns. This allows taxpayers to retroactively increase their 2009 charitable contribution deductions and receive the tax benefit of such deductions earlier.

Charitable contributions for Haiti relief must be made to qualified organizations (generally just U.S. charities) and must satisfy all other qualifications for deductible charitable contributions. Contributions must be made specifically for relief of victims in areas affected by the January 12 earthquake. Contributions may be made by cash, check, money order, credit card, debit card, or via cell phone. The legislation also permits a donor to substantiate a donation (for example, a donation made by text message) by providing telephone records that show the amount and date of the contribution as well as the organization to which the donation is directed.

Unlike the tax relief legislation passed in 2005 after Hurricane Katrina, this legislation does not provide an exception to the 50% of adjusted gross income limitation on the deductibility of charitable contributions.