



QUESTIONS AND ANSWERS ABOUT THE MAKING WORK PAY CREDIT TAX YEAR 2010

The federal **Making Work Pay Credit** is designed to boost the wages of working families. The following questions and answers will help you feel more comfortable spreading the word about the federal **Making Work Pay Credit**. But you should not try to answer specific questions about any individual's or family's taxes!

1. What is the federal Making Work Pay Credit?

The **Making Work Pay Credit**, effective for tax year 2010, provides up to \$800 in tax assistance to working families. Many individuals already have received this assistance through a decrease in their income tax withholding and a corresponding increase in their take-home pay.

2. Who is eligible for the Making Work Pay Credit?

To be eligible for the **Making Work Pay Credit**, a tax filer must:

- Have earned income; and
- Have adjusted gross income (AGI) during 2010 of less than \$95,000, if filing as single, head of household, married filing separately, or qualifying widow(er); and less than \$190,000, together with the tax filer's spouse, if married filing jointly; and
- Not be able to be claimed as a dependent by another tax filer.

“Earned income” includes wages, salaries, and tips; net earnings from self-employment; and scholarships and fellowships. It generally does not include bank interest, Social Security or TANF benefits, alimony, or unemployment compensation. (Special rules for determining earned income apply to persons with 2010 nontaxable combat pay).

“Adjusted gross income” is the amount a tax filer enters on line 37 of Form 1040, line 21 of Form 1040A, or line 4 of Form 1040EZ. In general, adjusted gross income is gross income, minus certain allowable deductions. It includes wages, salaries, and tips; net income from self-employment; unemployment compensation; alimony and taxable interest received. It generally does not include child support payments received, TANF benefits, or student loan interest and alimony paid.

3. How much can an individual receive from the Making Work Pay Credit?

The value of the **Making Work Pay Credit** is 6.2% of a tax filer's earned income, up to a maximum of \$800 for a married couple filing jointly or \$400 for other tax filers.

4. Is the amount of the Making Work Pay Credit affected by whether he or she has children?

No.

5. Can an individual claim the Making Work Pay Credit if he or she also claims the Earned Income Tax Credit, the Child Tax Credit and/or the Credit for Child and Dependent Care Expenses?

Yes. If a tax filer is eligible for these credits, he or she can claim benefits under all four provisions and decrease his or her taxes or increase his or her refund.

6. Will an individual's Temporary Assistance for Needy Families benefits or other government benefits be affected if he or she receives a Making Work Pay Credit refund?

No. The amount of a tax filer's **Making Work Pay Credit** refund will not be used to determine whether the family is eligible for, or how much the family will receive in, Temporary Assistance for Needy Families benefits, Food Stamps (now called SNAP), Medicaid, Supplemental Security Income, low-income housing assistance, or other federally funded federal, state, or local benefits, as long as the family spends the refund within 12 months of the month when it is received.

7. Can an individual claim the Making Work Pay Credit if he or she owes no taxes?

Yes. Even if an individual doesn't owe any federal income taxes, he or she may get a refund check if he or she did not receive the full amount of the **Making Work Pay Credit** through increased take-home pay during the year. The individual needs to file his or her taxes using Form 1040 or 1040A plus Schedule M or using Form 1040EZ (see Question 9).

8. How does an individual claim the Making Work Pay Credit?

Many individuals have already received some or all of their **Making Work Pay Credit**. Employers reduced the income tax withholding in the regular paychecks of eligible employees so that they received some or all of their credit as an increase in their take-home pay throughout the year. Some individuals, such as those who in 2010 made too little to have income taxes withheld from their paychecks, have not yet received any portion of the credit. Others did not receive the full amount of their **Making Work Pay Credit** through their paychecks.

Regardless of whether an individual has already received part or all of the credit, he or she must file a tax return and claim the credit on the return in order to receive or keep the full amount of the tax assistance for which he or she is eligible.

To claim the credit, an individual must file either:

- a) Form 1040EZ;

- b) Form 1040A plus Schedule M; or
- c) Form 1040 plus Schedule M.

To claim the **Making Work Pay Credit**, the tax filer will need to provide a Social Security Number (SSN) for himself or herself. For married couples filing jointly, only one spouse is required to have an SSN in order to claim the credit; however, the second spouse must have an Individual Taxpayer Identification Number (ITIN) if he or she is not eligible for an SSN.

The tax filer must have the SSN before filing the tax return. It can take some time to receive an SSN, so the tax filer should apply well in advance. To apply for an SSN, the tax filer should complete Form SS-5 from the Social Security Administration, available at <http://www.ssa.gov/online/ss-5.html>.

To obtain an ITIN for a spouse, a tax filer may file an application for an ITIN at the same time that he or she files the family's tax return. To apply for an ITIN, the tax filer should complete Form W-7 from the Internal Revenue Service, available at <http://www.irs.gov/pub/irs-pdf/fw7.pdf>.

FOR MORE INFORMATION

Visit the [IRS website](#) for additional information about the **Making Work Pay Credit**. Information about other tax benefits available to families with children is available on the National Women's Law Center's website at www.nwlc.org/loweryourtaxes. Further information is also available from the Internal Revenue Service on its website, www.irs.gov, by calling 1-800-TAX-1040 toll free or by contacting your local Volunteer Income Tax Assistance (VITA) clinic for free assistance.