



Home
About Us
Products & Services
Testimonials
Business Partners
QuickBooks
Featured Client
Forms & Downloads
Career
Opportunities
Our Newsletters
Contact Us

PayDay

The new economic stimulus law signed by President Obama on February 17, 2009 includes a new "Making Work Pay" tax credit for years 2009 and 2010 to put more money into the hands of working Americans. The basic elements of the new tax credit are:

- The tax credit is 6.2% of "earned income", which is essentially gross wages or self-employment net income;
- The annual tax credit is "capped" at \$400 for an individual taxpayer and \$800 for a married couple filing a joint return;
- The tax credit starts to "phase out" for single taxpayers with \$75,000 of adjusted gross income and \$150,000 for married couples; and
- The tax credit is "refundable", meaning that low income workers who pay no Federal income tax credit will receive the tax credit and refund.

NEW WITHHOLDING TABLES

The IRS will be sending mailers to employers in March notifying them to start using revised Federal income tax withholding tables, which include the new tax credit, as soon as possible, and not later than April 1, 2009.

AccuPay has already received the revised withholding tables and will start using them in payroll calculations on Monday, March 2, 2009. The new tax tables will increase "take-home pay" by about \$10 per week for qualifying individuals.

No action steps are required of either the employer or employees to obtain the Making Work Pay tax credit, as long as the employer updates their tax tables.

COMING UP - COBRA TAX CREDITS

The recently passed stimulus law also includes a Federal subsidy to help involuntarily terminated former employees pay their Cobra health insurance premiums. This process will affect employer's Form 941 tax deposits beginning in March of 2009.

Our next PayDay will cover the payroll tax credit aspects of the Cobra subsidy - which currently contains "more questions than answers" -- but we will figure it out and keep you informed!

If you have any questions about the new law as it affects payroll procedures, call an AccuPay "CPP/CPA services team" at 885-7600.

PayDay is an email communication of payroll news, legal updates and tax considerations intended to inform clients and colleagues of AccuPay about current payroll issues and planning techniques. You should consult with your CPA or tax advisor before implementing any ideas, comments or planning techniques.

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