

February 26, 2009

To: CyberTax Members

From: Tina Purser Langley, Assistant National Director, AARP Tax-Aide

Subject: CyberTax 2009-018: Volunteer Quality Alert and more on The American Recovery and Reinvestment Act of 2009

Please find attached the latest Volunteer Quality Alert from the IRS. It reminds all volunteers to please insure that all of the data included on the W-2 (or any IRS information the taxpayer has received, including 1099's) is properly entered into the software to allow the software to properly compute all aspects of the taxpayer's tax return.

Quality Reviews/Shopping Visits

Early reports from IRS quality reviews/shopping visits indicate that volunteers are simply failing to key-in all of the information and therefore are completing returns that are not accurate. This would include little-known/little-used issues like the Retirement Saver's Credit and inclusion of Interest Income. Please keep in mind that it is very important to the program and to each taxpayer that you have every return quality reviewed by a second certified volunteer.

American Recovery and Reinvestment Act of 2009

Additionally, we know that many of you are handling questions about the ramifications of the American Recovery and Reinvestment Act of 2009 to which Bonnie referred in CyberTax 2009-017. The IRS has provided some resources including a link to the **Update on Stimulus Tax Provisions** on IRS.gov:

<http://www.irs.gov/newsroom/article/0,,id=204335,00.html?portlet=6> As stated in the earlier alert, those taxpayers who are on social security or veterans benefits, and are eligible for the \$250 stimulus amount, do not have to file a return for this payment. It will be paid automatically by May or June of this year.

We wanted to also draw your attention to the **Making Work Pay Credit**: Generally, taxpayers will not get a separate, special check from IRS this year, like last year's economic stimulus payment (except for those qualifying for SSA/VA and government retirees). Instead, they will receive a credit against income tax in an amount equal to the lesser of 6.2 percent of the individual's earned income or \$400 (\$800 for married couples filing jointly). The credit will apply retroactively to the start of 2009 and extend through 2010. Most taxpayers will receive this credit through a reduction in wage withholding that will start in the upcoming weeks (see paragraph below for more details). Taxpayers not subject to withholding will be able to claim their credit on their 2009 tax return.

With respect to the receipt of the credit through changes in withholding, the Internal Revenue Service recently released new withholding tables that will result in more take-home pay this spring for millions of American workers. Eligible workers will get the benefit of this change without any action on their part. This means workers don't need to

fill out a new W-4 withholding form to get the Making Work Pay Credit reflected in their take-home pay. A Form W-4 will not need to be submitted for the automatic withholding change. However, individuals and couples with multiple jobs may want to submit revised Form W-4 forms to ensure enough withholding is held to cover the tax for the combined income.

Though all eligible taxpayers will need to claim the credit when they file their 2009 income tax return next year, the benefit will generally be spread out over the paychecks they receive beginning this spring and continue until the end of the year. Many higher income taxpayers will see little or no change in their take-home pay. That's because the Making Work Pay Credit is phased out for a married couple filing a joint return whose modified Adjusted Gross Income (AGI) is between \$150,000 and \$190,000 and other taxpayers who modified AGI is between \$75,000 and \$95,000.

Leaders, please share this information with volunteers who may not receive CyberTax.

**CyberTax messages will be available weekly on the Extranet (<http://www.aarp.org/tavolunteers>) in the "General Program Communication" section.

*** "VQA_2009-03.pdf attached"

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