Department Memorandum

Idaho Transportation Department



DATE: Feb 26, 2009 Program Number(s)

- TO:District Business Managers; Division BusinessKey Number(s)Managers; Division Administrators; Chief Engineers
- **FROM:** Gordon Wilmoth, Controller **Program ID, County, Etc.**
- **RE:** New 2009 Federal Withholding Rates

The Federal American Recovery and Reinvestment Act of 2009 that was signed into law last week has incorporated new Federal Withholding Rates for 2009 that will reduce the amount of taxes that will be taken out of some paychecks.

The State Controller's Office will start using the new rates beginning with the March 6, 2009 pay date. This is pay for time worked February 8th thru February 21, 2009.

You do not have to change your W-4 for this to take effect, but some employees may want to revise it to ensure enough taxes will be taken out for the year. Below is the Internal Revenue News release and links to the new tax tables and W-4 form.

IR-2009-13, Feb 21, 2009

WASHINGTON — The Internal Revenue Service today released new withholding tables that will result in more takehome pay this spring for millions of American workers.

The new tables incorporate the new Making Work Pay credit, one of the key tax provisions included in the American Recovery and Reinvestment Act of 2009 that became law earlier this week.

"For most taxpayers, the additional credit will automatically start showing up in their paychecks this spring," said IRS Commissioner Doug Shulman. "Since employers and payroll companies will handle this change, people typically won't need to take any additional action. The IRS will continue working to implement this and other provisions of the new law as quickly as possible."

The <u>new withholding tables</u>, along with other instructions related to the new tax law, will be incorporated in new Publication 15-T. This publication will be posted to this Web site next week and mailed to more than 9 million employers in mid-March. The IRS asks that employers start using these new tables as soon as possible but not later than April 1. Most workers will see a boost in their take-home pay soon thereafter.

Eligible workers will get the benefit of this change without any action on their part. This means that 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. Individuals and couples with multiple jobs may want to submit revised <u>Form W-4</u> forms to ensure enough withholding is held to cover the tax for the combined income. <u>Publication 919</u> provides additional guidance for tax withholding.

Available for tax years 2009 and 2010, <u>the Making Work Pay credit</u> is 6.2 percent of a taxpayer's earned income with a maximum credit of \$800 for a married couple filing a joint return and \$400 for other taxpayers, but it is phased out for higher income taxpayers. Most workers will qualify for the maximum credit. Because the credit is refundable (people can get it even if they owe no tax), most low-income workers will also qualify for the full credit.