



Office of the Staff Judge Advocate LEGAL SERVICES U.S. Army Japan and I Corps (Fwd)

Making Work Pay and Government Retiree Credit

The Internal Revenue Service has included two new credit you may be able to take for 2009: Making Work Pay and Government Retiree Credit.

Making Work Pay Credit requires earned income from work. Even if your federal income tax withholding is reduced during 2009 because of the credit, you must claim the credit on your return to benefit from it. The credit is 6.2% of your earned income but cannot be more than \$400 (\$800 if married filing jointly). The credit will be reduced if you receive a \$250 economic recovery payment, modified AGI is more than \$75,000 (\$150,000 if married filing jointly), or you take the government retiree credit. You CANNOT take the credit if your modified adjusted gross income is \$95,000 (\$190,000 if

married filing jointly) or more, you are a nonresident alien, or you can be claimed as a dependent on someone else's return.

Government Retiree Credit are for taxpayers who receive a pension or annuity payment in 2009 for service performed for the U.S. Government or any U.S. state or local government (or any instrumentality of one or more of these) and the service was not covered by social security. The credit is \$250 (\$500 if married filing jointly and both you and your spouse receive a qualifying pension or annuity). However, you cannot take the credit if you receive a \$250 economic recovery payment.

For more information, contact your tax law specialist or the Camp Zama Tax Center at 263-1040.

Ten Tax Benefits of Children

Although there are certainly more benefits to our children, there are ten identified tax benefits of Children, so long as the taxpayer qualifies.

1. Dependents In most cases, a child can be claimed as a dependent in the year they were born. For more information see IRS Publication 501, Exemptions, Standard Deduction, and Filing Information.

2. Child Tax Credit You may be able to take this credit on your tax return for each of your children under age 17. If you do not benefit from the full amount of the Child Tax Credit, you may be eligible for the Additional Child Tax Credit. The Additional Child Tax Credit is a refundable credit and may give you a refund even if you do not owe any tax. For more information see IRS Publication 972, Child Tax Credit.

3. Child and Dependent Care Credit You may be able to claim the credit if you pay someone

to care for your child under age 13 so that you can work or look for work. For more information see IRS Publication 503, Child and Dependent Care Expenses.

4. Earned Income Tax Credit The EITC is a benefit for certain people who work and have earned income from wages, self-employment or farming. EITC reduces the amount of tax you owe and may also give you a refund. For more information see IRS Publication 596, Earned Income Credit.

5. Adoption Credit You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. For more information see the instructions for IRS Form 8839, Qualified Adoption Expenses.

6. Children with Earned Income If your child has income earned from working they may be required to file a tax return. For more information see IRS Publication 501.

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If you have any
questions, comments,
or suggestions, please
contact the Legal
Assistance Office at
263-4698.



“Children... continued”

7. Children with Investment Income Under certain circumstances a child’s investment income may be taxed at the parent’s tax rate. For more information see IRS Publication 929, Tax Rules for Children and Dependents.
8. Coverdell Education Savings Account This savings account is used to pay qualified educational expenses at an eligible educational institution. Contributions are not deductible, however, qualified distributions generally are tax-free. For more information see IRS Publication 970, Tax Benefits for Education.
9. Higher Education Credits Education tax credits can help offset the costs of education. The American Opportunity and the Lifetime Learning Credit are education credits that reduce your federal income tax dollar-for-dollar, unlike a deduction, which reduces your taxable income. For more information see IRS Publication 970.

Higher Education Expenses

Nine helpful tips for the American Opportunity Credit, which expanded the existing Hope Education Credit..

1. The credit can be claimed for tuition and certain fees paid for higher education in 2009 and 2010.
2. The American Opportunity Credit can be claimed for expenses paid for any of the first four years of post-secondary education.
3. The credit is worth up to \$2500 and is based on a percentage of the cost of qualified tuition and related expenses paid during the taxable year for each eligible student. This a \$700 increase from the Hope Credit.
4. The term "qualified tuition and related expenses" has been expanded to include expenditures for required course materials. For this purpose, the term "course materials" means books, supplies and equipment required for a course of study.
5. Taxpayers will receive a tax credit based on 100 percent of the first \$2,000 of tuition, fees and course materials paid during the taxable year, plus 25 percent of the next \$2,000 of tuition, fees and course materials paid during the taxable year.
6. Forty percent of the credit is refundable, so even those who owe no tax can get up to \$1,000 of the credit for each eligible student as cash back.
7. To be eligible for the full credit, your modified adjusted gross income must be \$80,000 or less -- \$160,000 or less for joint filers.
8. The credit begins to decrease for individuals with incomes above \$80,000 or \$160,000 for joint filers and is not available for individuals who make more than \$90,000 or \$180,000 for joint filers.
9. The credit is claimed using Form 8863, Education Credits, (American Opportunity, Hope, and Lifetime Learning Credits), and is attached to Form 1040 or 1040A.