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Dear Client,

The recently enacted “American Recovery and Reinvestment Act of 2009” contains a new law that affects your payroll for 2009 and 2010.

*What is this law?*

The “**Making Work Pay**” credit provides an individual tax credit in the amount of 6.2% of earned income not to exceed \$400 for single tax returns and \$800 for joint tax returns in 2009 and 2010. The credit is phased out for high income individuals – those with an adjusted gross income (AGI) in excess of \$75,000 (\$150,000 for married couples filing jointly). **The credit can be claimed as a reduction in the amount of income tax that is withheld from a paycheck, or through a credit on a tax return.** Under the credit, workers can expect to see around \$13 a week less withheld from their paychecks starting around April. In 2010, the extra take-home will go down to around \$7.70 per week.

*What does this mean for you as the employer?*

Starting on April 1 you are required to use the new withholding tables to complete your employees’ paychecks. If you are using QuickBooks with a payroll subscription, make sure you accept all payroll updates and the new withholding tables will be implemented automatically. If you are completing your payroll by hand, go to [www.irs.gov](http://www.irs.gov) and search “2009 Publication 15-T” to print off the new withholding tables.

As the employer, you are also required to post the “Notice to Employees” (attached to this letter) to inform your employees of the withholding changes and their options.

*What if an employee doesn’t want to change their withholding?*

If your employee(s) doesn’t want to change their withholding amount (because they have more than one job, they are married, etc), have them fill out a new Form W-4 claiming fewer withholding allowances on line 5, or requesting additional amounts to be withheld on line 6.

Please call our office if you need any additional information or have any questions.

# Notice to Employees

## Changes in Income Tax Withholding

New withholding tables may reduce the amount of income tax withheld from your wages.

The new tables, prescribed by the Department of the Treasury, reflect the Making Work Pay credit and other changes resulting from the American Recovery and Reinvestment Act of 2009.

You do not have to submit a **Form W-4**, Employee's Withholding Allowance Certificate, to get the automatic withholding change. If you do not want to have your withholding reduced (because, for example, you have more than one job or you are married and your combined income places you in a higher tax bracket), you may want to file a new Form W-4 with your employer. You may claim fewer withholding allowances on line 5 or request additional amounts to be withheld on line 6. For additional help, get IRS **Publication 919**, How Do I Adjust My Tax Withholding? or visit the IRS website at [www.irs.gov](http://www.irs.gov) and use the "Withholding Calculator."

# Form W-4 (2009)

**Purpose.** Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

**Exemption from withholding.** If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2009 expires February 16, 2010. See Pub. 505, Tax Withholding and Estimated Tax.

**Note.** You cannot claim exemption from withholding if (a) your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

**Basic instructions.** If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/multiple job situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

**Head of household.** Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

**Tax credits.** You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

**Nonwage income.** If you have a large amount of nonwage income, such as interest or

dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

**Two earners or multiple jobs.** If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

**Nonresident alien.** If you are a nonresident alien, see the Instructions for Form 8233 before completing this Form W-4.

**Check your withholding.** After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2009. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$180,000 (Married).

## Personal Allowances Worksheet (Keep for your records.)

**A** Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . **A** \_\_\_\_\_

**B** Enter "1" if: } 

- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less.
 . . . . . **B** \_\_\_\_\_

**C** Enter "1" for your **spouse**. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) . . . . . **C** \_\_\_\_\_

**D** Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . . **D** \_\_\_\_\_

**E** Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . . . . . **E** \_\_\_\_\_

**F** Enter "1" if you have at least \$1,800 of **child or dependent care expenses** for which you plan to claim a credit . . . . . **F** \_\_\_\_\_  
**(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)**

**G Child Tax Credit** (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.  
 • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then **less** "1" if you have three or more eligible children.  
 • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child plus "1" **additional** if you have six or more eligible children. . . . . **G** \_\_\_\_\_

**H** Add lines A through G and enter total here. **(Note. This may be different from the number of exemptions you claim on your tax return.)** ▶ **H** \_\_\_\_\_

For accuracy, **complete all worksheets that apply.** } 

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the **Deductions and Adjustments Worksheet** on page 2.
- If you have **more than one job** or are **married and you and your spouse both work** and the combined earnings from all jobs exceed \$40,000 (\$25,000 if married), see the **Two-Earners/Multiple Jobs Worksheet** on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form <b>W-4</b> Department of the Treasury Internal Revenue Service	<h2 style="margin: 0;">Employee's Withholding Allowance Certificate</h2> <p style="margin: 0; font-size: 0.8em;">▶ <b>Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.</b></p>	OMB No. 1545-0074 <span style="font-size: 2em; font-weight: bold;">2009</span>
<b>1</b> Type or print your first name and middle initial. Last name		<b>2</b> Your social security number
Home address (number and street or rural route)		<b>3</b> <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <b>Note.</b> If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code		<b>4</b> If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>
<b>5</b> Total number of allowances you are claiming (from line <b>H</b> above or from the applicable worksheet on page 2)		<b>5</b> _____ <b>6</b> \$ _____
<b>7</b> I claim exemption from withholding for 2009, and I certify that I meet <b>both</b> of the following conditions for exemption. • Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability <b>and</b> • This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability. If you meet both conditions, write "Exempt" here . . . . . ▶ <b>7</b> _____		
Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.		
<b>Employee's signature</b> (Form is not valid unless you sign it.) ▶		<b>Date</b> ▶
<b>8</b> Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		<b>9</b> Office code (optional) <b>10</b> Employer identification number (EIN)

**Deductions and Adjustments Worksheet**

**Note.** Use this worksheet *only* if you plan to itemize deductions, claim certain credits, adjustments to income, or an additional standard deduction.

**1** Enter an estimate of your 2009 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 2009, you may have to reduce your itemized deductions if your income is over \$166,800 (\$83,400 if married filing separately). See *Worksheet 2* in Pub. 919 for details.) **1** \$ \_\_\_\_\_

**2** Enter:  $\left\{ \begin{array}{l} \$11,400 \text{ if married filing jointly or qualifying widow(er)} \\ \$ 8,350 \text{ if head of household} \\ \$ 5,700 \text{ if single or married filing separately} \end{array} \right\}$  **2** \$ \_\_\_\_\_

**3** **Subtract** line 2 from line 1. If zero or less, enter “-0-” **3** \$ \_\_\_\_\_

**4** Enter an estimate of your 2009 adjustments to income and any additional standard deduction. (Pub. 919) **4** \$ \_\_\_\_\_

**5** **Add** lines 3 and 4 and enter the total. (Include any amount for credits from *Worksheet 8* in Pub. 919.) **5** \$ \_\_\_\_\_

**6** Enter an estimate of your 2009 nonwage income (such as dividends or interest) **6** \$ \_\_\_\_\_

**7** **Subtract** line 6 from line 5. If zero or less, enter “-0-” **7** \$ \_\_\_\_\_

**8** **Divide** the amount on line 7 by \$3,500 and enter the result here. Drop any fraction **8** \_\_\_\_\_

**9** Enter the number from the **Personal Allowances Worksheet**, line H, page 1 **9** \_\_\_\_\_

**10** **Add** lines 8 and 9 and enter the total here. If you plan to use the **Two-Earners/Multiple Jobs Worksheet**, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, page 1 **10** \_\_\_\_\_

**Two-Earners/Multiple Jobs Worksheet (See *Two earners or multiple jobs* on page 1.)**

**Note.** Use this worksheet *only* if the instructions under line H on page 1 direct you here.

**1** Enter the number from line H, page 1 (or from line 10 above if you used the **Deductions and Adjustments Worksheet**) **1** \_\_\_\_\_

**2** Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However**, if you are married filing jointly and wages from the highest paying job are \$50,000 or less, do not enter more than “3.” **2** \_\_\_\_\_

**3** If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter “-0-”) and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet **3** \_\_\_\_\_

**Note.** If line 1 is *less than* line 2, enter “-0-” on Form W-4, line 5, page 1. Complete lines 4–9 below to calculate the additional withholding amount necessary to avoid a year-end tax bill.

**4** Enter the number from line 2 of this worksheet **4** \_\_\_\_\_

**5** Enter the number from line 1 of this worksheet **5** \_\_\_\_\_

**6** **Subtract** line 5 from line 4 **6** \_\_\_\_\_

**7** Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here **7** \$ \_\_\_\_\_

**8** **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed **8** \$ \_\_\_\_\_

**9** Divide line 8 by the number of pay periods remaining in 2009. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2008. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck **9** \$ \_\_\_\_\_

**Table 1**

**Table 2**

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above	If wages from <b>LOWEST</b> paying job are—	Enter on line 2 above	If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above	If wages from <b>HIGHEST</b> paying job are—	Enter on line 7 above
\$0 - \$4,500	0	\$0 - \$6,000	0	\$0 - \$65,000	\$550	\$0 - \$35,000	\$550
4,501 - 9,000	1	6,001 - 12,000	1	65,001 - 120,000	910	35,001 - 90,000	910
9,001 - 18,000	2	12,001 - 19,000	2	120,001 - 185,000	1,020	90,001 - 165,000	1,020
18,001 - 22,000	3	19,001 - 26,000	3	185,001 - 330,000	1,200	165,001 - 370,000	1,200
22,001 - 26,000	4	26,001 - 35,000	4	330,001 and over	1,280	370,001 and over	1,280
26,001 - 32,000	5	35,001 - 50,000	5				
32,001 - 38,000	6	50,001 - 65,000	6				
38,001 - 46,000	7	65,001 - 80,000	7				
46,001 - 55,000	8	80,001 - 90,000	8				
55,001 - 60,000	9	90,001 - 120,000	9				
60,001 - 65,000	10	120,001 and over	10				
65,001 - 75,000	11						
75,001 - 95,000	12						
95,001 - 105,000	13						
105,001 - 120,000	14						
120,001 and over	15						

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You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The average time and expenses required to complete and file this form will vary depending on individual circumstances. For estimated averages, see the instructions for your income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for your income tax return.