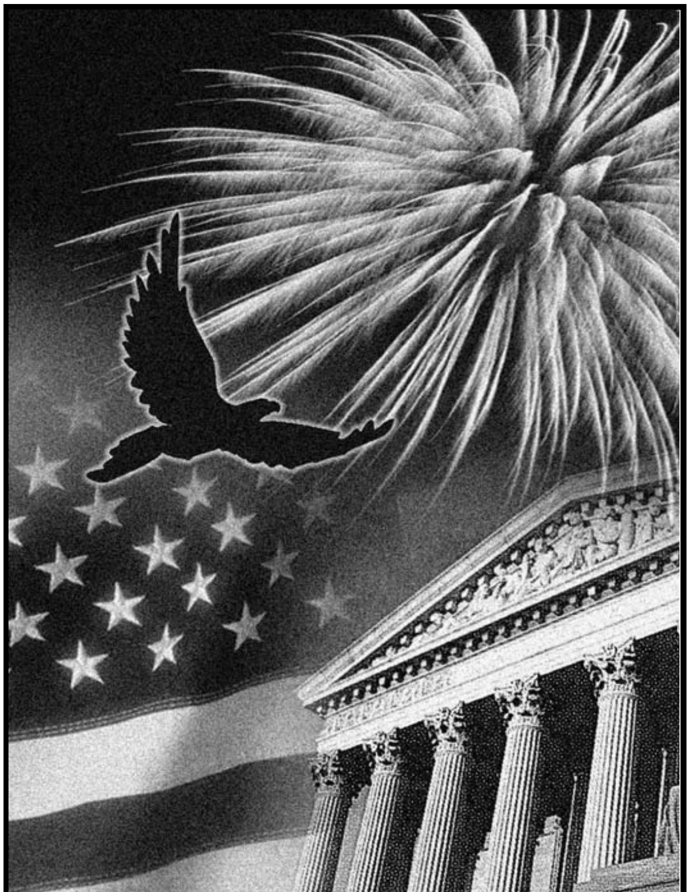
Department of the Treasury
Internal Revenue Service

Publication 505
(Rev. March 2009)
Cat. No. 15008E

Tax Withholding and Estimated Tax

This publication is referenced in an endnote at the Bradford Tax Institute. CLICK HERE to go to the home page.



Get forms and other information faster and easier by:

Internet www.irs.gov

Mar 30, 2009

Contents

Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. There are two ways to pay as you go.

- ***Withholding.*** If you are an employee, your employer probably withholds income tax from your pay. In addition, tax may be withheld from certain other income, including pensions, bonuses, commissions, and gambling winnings. In each case, the amount withheld is paid to the Internal Revenue Service (IRS) in your name.

- ***Estimated tax.*** If you do not pay your tax through withholding, or do not pay enough tax that way, you might have to pay estimated tax. People who are in business for themselves generally will have to pay their tax this way. You may have to pay estimated tax if you receive income such as dividends, interest, capital gains, rents, and royalties. Estimated tax is used to pay not only income tax, but self-employment tax and alternative minimum tax as well.

This publication explains both of these methods. It also explains how to take credit on your return for the tax that was withheld and for your estimated tax payments.

If you did not pay enough tax during the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. Generally, the IRS can figure this penalty for you. This underpayment penalty, and the exceptions to it, are discussed in chapter 4.

Nonresident aliens. If you are a nonresident alien, see chapter 8 in Publication 519, U.S. Tax Guide for Aliens, for a discussion of Form 1040-ES (NR) and withholding.

What's new for 2008 and 2009. See *What's New for 2009* that begins below, and *What's New for 2008* in chapters 3 and 4.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:

Internal Revenue Service
Individual Forms and Publications Branch
SE:W:CAR:MP:T:I
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.

What's New for 2009

You should consider the items in this section when figuring the amount of your tax withholding (see chapter 1) or estimated tax payments (see chapter 2) for 2009. Unless otherwise stated, see Publication 553, Highlights of 2008 Tax Changes, for more information.

Definition of a qualifying child revised. The following changes to the definition of a qualifying child have been made.

- Your qualifying child must be younger than you.
- A child cannot be your qualifying child if he or she files a joint return, unless the return was filed only as a claim for refund.
- If the parents of a child can claim the child as a qualifying child but no parent so claims the child, no one else can claim the child as a qualifying child unless that person's adjusted gross income (AGI) is higher than the highest AGI of any parent of the child.
- Your child is a qualifying child for purposes of the child tax credit only if you can and do claim an exemption for him or her.

Divorced or separated parents. A noncustodial parent claiming an exemption for a child can no longer attach certain pages from a divorce decree or separation agreement executed after 2008. The noncustodial parent will have to attach Form 8332 or a similar statement signed by the custodial parent whose only purpose is to release a claim for exemption.

Differential wage payments subject to withholding. Beginning in 2009, differential wage payments made to active members of the uniformed services are treated as wages and income tax must be withheld. For more details, see Publication 15, Employer's Tax Guide.

Certain unemployment compensation excluded from income. You can exclude from income the first $2,400 of unemployment compensation you receive.

Economic recovery payment to recipients of social security, supplemental social security, railroad retirement benefits, and veterans disability compensation or pension benefits. If you receive any of the above benefits, you will receive an economic recovery payment of $250. This is not included in your income.

Qualified small business stock. The exclusion of gain from the sale of qualifying small business stock is increased to 75% for stock acquired after February 17, 2009, and before January 1, 2011.

Limit on exclusion of gain on sale of main home. Generally, gain from the sale of your main home is no longer excludable from income if the gain is allocable to periods after 2008 when neither you nor your spouse (or your former spouse) used the property as a main home.

Retirement savings plans. The following paragraphs highlight changes that affect individual retirement arrangements (IRAs) and pension plans. For more information, see Publication 590, Individual Retirement Arrangements (IRAs).

IRA deduction expanded. You may be able to take an IRA deduction if you were covered by a retirement plan at work and your 2009 modified AGI is less than $65,000 ($109,000 if married filing jointly or a qualifying widow(er)). If your spouse was covered by a retirement plan but you were not, you may be able to take an IRA deduction if your modified AGI is less than $176,000.

Elective salary deferrals. The maximum amount you can defer under all plans generally is limited to $16,500 ($11,500 if you have only SIMPLE plans; $19,500 for section 403(b) plans if you qualify for the 15-year rule). The catch-up contribution limit for individuals age 50 or older at the end of the year is increased to $5,500 (except for section 401(k)(11) plans and SIMPLE plans, for which this limit remains unchanged).

Retirement savings contributions credit (saver's credit). For 2009, the income limits have increased and you may be able to claim this credit if your modified AGI is not more than $27,750 ($55,500 if married filing jointly, $41,625 if head of household).

Temporary waiver of certain required minimum distribution rules. No minimum distribution is required from your IRA or employer-provided qualified retirement plan for 2009. For more information, see Publication 575, Pension and Annuity Income, or Publication 590.

Increased standard deduction. You may be able to increase your standard deduction by the following amounts.

- Certain state or local real estate taxes you pay.
- A net disaster loss attributable to a federally declared disaster.
- Sales or excise taxes you pay on the purchase of certain new cars, trucks, motorcycles, or motor homes.

Standard mileage rates. The standard mileage rate for the cost of operating your car is:

- 55 cents a mile for all business miles driven,
- 24 cents a mile for the use of your car for medical reasons,
- 24 cents a mile for the use of your car for a deductible move,
- 14 cents a mile for the use of your car for charitable reasons.

Personal casualty and theft loss. A personal casualty or theft loss must exceed $500 to be allowed. This is in addition to the 10%-of-AGI limit that generally applies to the net loss.

Alternative minimum tax (AMT) exemption amount increases. The AMT exemption amount is increased to $46,700 ($70,950 if married filing jointly or a qualifying widow(er); $35,475 if married filing separately).

Tax on child's investment income. Generally, Form 8615 will be required to figure the tax for children with investment income of more than $1,900.

Making work pay credit. You can claim a refundable credit of up to $400 ($800 if married filing jointly) if you work. You can claim the credit if you are an employee or self-employed. The credit is 6.2% of your earned income, which includes nontaxable combat pay, up to the $400 (or $800) limit. The credit is phased out if your modified AGI is more than $75,000 ($150,000 if married filing jointly). For more details, see Worksheet 2-9 in chapter 2.

Hope education credit expanded. For 2009 and 2010, the maximum credit is $2,500, the credit is available for the first 4 years of post-secondary education, and 40% of the credit is refundable. The increased benefits will be phased out if your modified AGI is above $80,000 ($160,000 if married filing jointly).

Qualified education expenses under a qualified tuition program (QTP). During 2009 and 2010, qualified education expenses will include the purchase of computer technology, equipment, or Internet access and related services if it is to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is enrolled at an eligible educational institution. (This does not include expenses for computer software designed for sports, games, or hobbies unless the software is predominantly educational in nature.)

Earned income credit (EIC). You may be able to take the EIC if:

- Three or more children lived with you and you earned less than $43,279 ($48,279 if married filing jointly),
- Two children lived with you and you earned less than $40,295 ($45,295 if married filing jointly),
- One child lived with you and you earned less than $35,463 ($40,463 if married filing jointly), or
- No children lived with you and you earned less than $13,440 ($18,440 if married filing jointly).

New for 2009 is an increase in the amount of earned income credit for taxpayers with three or more qualifying children.

You can elect to include combat pay as earned income for purposes of claiming the EIC.

The maximum investment income you can have and still get the credit has increased to $3,100.

For more information, see Publication 596, Earned Income Credit (EIC).

Additional child tax credit. The earned income threshold generally needed to qualify for the additional child tax credit is reduced to $3,000.

Credit to certain government retirees. If you are a government retiree and you did not receive an economic recovery payment as a recipient of social security, supplemental social security, railroad retirement, and veterans disability compensation or pension benefits, you are allowed a credit of $250 ($500 if both you and your spouse are government retirees and you file jointly). The credit is refundable. See Worksheet 2-9 in chapter 2.

Nonbusiness energy property credit. This credit, which expired after 2007, has been reinstated. The amount of the credit has increased from 10% to 30%, limited to a $1,500 total amount for 2009 and 2010 installations. It also has been expanded to include certain asphalt roofs and stoves that burn biomass fuel.

Residential energy efficient property credit. The 30% credit for qualified solar hot water property, geothermal heat pumps, and wind energy property is no longer limited to $2,000 per year. However, there is a $500 credit limit on qualified fuel cell property expenditures.

Increased alternative fuel vehicle refueling property credit. The credit for alternative fuel vehicle fueling property increases to 50%. For property placed in service during 2009 and 2010 at your main home, the credit limit increases to $2,000.

Credit for qualified plug-in electric vehicles. The electric vehicle credit is now limited to plug-in electric vehicles. The maximum credit for a qualified vehicle acquired after February 17, 2009, is $2,500.

Plug-in conversion credit. A new credit is available for converting a motor vehicle to a qualified plug-in electric drive motor vehicle. The maximum credit is $4,000, and will be claimed as part of the alternative motor vehicle credit.

Build America tax credit bonds. The credit available to taxpayers from Build America bonds must be included in income as interest. Any unused credit is refundable.

First-time homebuyer credit. You may be able to claim a refundable credit of up to $8,000 if you are a first-time homebuyer and buy a principal residence after December 31, 2008, and before December 1, 2009.

Increased health coverage tax credit. For individuals who are eligible trade adjustment assistance (TAA) recipients, alternative TAA recipients, or eligible Pension Benefit Guaranty Corporation pension recipients, the credit for the cost of health insurance increases. This credit also is available to eligible TAA recipients who are not currently enrolled in a training program.

Decreased estimated tax payment for certain small businesses. For certain small businesses, your required estimated tax payment for the year is the lesser of 90% of your 2008 tax or 90% of your estimated 2009 tax. This rule applies to individuals who satisfy all of the following:

- Your business had an average of fewer than 500 employees in 2008.
- More than 50% of your gross income from 2008 was income from your small business.
- Your AGI for 2008 was less than $500,000 ($250,000 if married filing separate returns in 2009).

Reminders

Social security (FICA) tax. Generally, each employer for whom you work during the tax year must withhold social security tax up to the annual limit.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that otherwise would be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

1.

Tax Withholding for 2009

Introduction

This chapter discusses income tax withholding on:

- Salaries and wages,
- Tips,
- Taxable fringe benefits,
- Sick pay,
- Pensions and annuities,
- Gambling winnings,
- Unemployment compensation, and
- Certain federal payments.

This chapter explains in detail the rules for withholding tax from each of these types of income. The discussion of salaries and wages includes an explanation of how to complete Form W-4.

This chapter also covers backup withholding on interest, dividends, and other payments.

Useful Items

You may want to see:

Publication

❏ **919** How Do I Adjust My Tax Withholding?

Form (and Instructions)

❏ **W-4** Employee's Withholding Allowance Certificate

❏ **W-4P** Withholding Certificate for Pension or Annuity Payments

❏ **W-4S** Request for Federal Income Tax Withholding From Sick Pay

❏ **W-4V** Voluntary Withholding Request

See chapter 5 of this publication for information about getting these publications and forms.

Salaries and Wages

Income tax is withheld from the pay of most employees. Your pay includes your regular pay, bonuses, commissions, and vacation allowances. It also includes reimbursements and other expense allowances paid under a nonaccountable plan. See *Supplemental Wages* on page 13 for definitions of accountable and nonaccountable plans.

If your income is low enough that you will not have to pay income tax for the year, you may be exempt from withholding. This is explained under *Exemption From Withholding* on page 13.

Military retirees. Military retirement pay is treated in the same manner as regular pay for income tax withholding purposes, even though it is treated as a pension or annuity for other tax purposes.

Household workers. If you are a household worker, you can ask your employer to withhold income tax from your pay. A household worker is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

Tax is withheld only if you want it withheld and your employer agrees to withhold it. If you do not have enough income tax withheld, you may have to pay estimated tax, as discussed in chapter 2.

Farmworkers. Generally, income tax is withheld from your cash wages for work on a farm unless your employer both:

- Pays you cash wages of less than $150 during the year, and
- Has expenditures for agricultural labor totaling less than $2,500 during the year.

Differential wage payments. When employees are on leave from employment for military duty, some employers make up the difference between the military pay and civilian pay. Payments made after December 31, 2008, to an employee who is on active duty for a period of more than 30 days, will be subject to income tax withholding. The wages and withholding will be reported on Form W-2.

You can ask your employer to withhold income tax from noncash wages and other wages not subject to withholding. If your employer does not agree to withhold tax, or if not enough is withheld, you may have to pay estimated tax, as discussed in chapter 2.

Determining Amount of Tax Withheld Using Form W-4

The amount of income tax your employer withholds from your regular pay depends on two things.

- The amount you earn.
- The information you give your employer on Form W-4.

Form W-4 includes three types of information that your employer will use to figure your withholding.

- Whether to withhold at the single rate or at the lower married rate.
- How many withholding allowances you claim (each allowance reduces the amount withheld).
- Whether you want an additional amount withheld.

Note. You must specify a filing status and a number of withholding allowances on Form W-4. You cannot specify only a dollar amount of withholding.

New Job

When you start a new job, you must fill out a Form W-4 and give it to your employer. Your employer should have copies of the form. If you need to change the information later, you must fill out a new form.

If you work only part of the year (for example, you start working after the beginning of the year), too much tax may be withheld. You may be able to avoid overwithholding if your employer agrees to use the part-year method, explained on page 12.

Employee also receiving pension income. If you receive pension or annuity income and begin a new job, you will need to file Form W-4 with your new employer. However, you can choose to split your withholding allowances between your pension and job in any manner. See Publication 919 for more information.

Changing Your Withholding

Events during the year may change your marital status or the exemptions, adjustments, deductions, or credits you expect to claim on your tax return. When this happens, you may need to give your employer a new Form W-4 to change your withholding status or number of allowances.

If the event changes your withholding status or the number of allowances you are claiming, you must give your employer a new Form W-4 within 10 days after either of the following.

- Any event that requires you to change to single status.
- Any event that decreases the number of withholding allowances you can claim.

Events that will decrease the number of withholding allowances you can claim include the following.

- You have been claiming an allowance for your spouse, but you get divorced or your spouse begins claiming his or her own allowance on a separate Form W-4.
- You have been claiming an allowance for a dependent who is a qualifying relative, but you no longer expect to provide more than half the dependent's support for the year.
- You have been claiming an allowance for your qualifying child, but you now find that he or she will provide more than half of his or her own support during the year.
- You have been claiming allowances for your expected deductions, but you now find they will be less than expected.
- You filed for bankruptcy under chapter 11 of the U.S. Bankruptcy Code and you may not be entitled to the same number of allowances or the bankruptcy estate may be taxed at a higher rate.

Generally, you can submit a new Form W-4 whenever you wish to change the number of your withholding allowances for any other reason.

If you change the number of your withholding allowances, you can request that your employer withhold using the cumulative wage method, explained on page 12.

Changing your withholding for 2010. If events in 2009 will decrease the number of your withholding allowances for 2010, you must give your employer a new Form W-4 by December 1, 2009. If an event occurs in December 2009, submit a new Form W-4 within 10 days. The following are examples of events that will decrease the number of your allowances.

- You claimed allowances for 2009 based on child care expenses, moving expenses, or large medical expenses, but you will not have these expenses in 2010.
- You have been claiming an allowance for your spouse, but he or she died in 2009.

Note. Because you can file a joint return for 2009, your spouse's death will not affect the number of your withholding allowances until 2010. You will have to change from married to single status for 2010, unless you can file as a qualifying widow or widower because you have a dependent child, or you remarry.

You must file a new Form W-4 showing single status by December 1 of the last year you are eligible to file as qualifying widow or widower.

Checking Your Withholding

After you have given your employer a Form W-4, you can check to see whether the amount of tax withheld from your pay is too little or too much. See *Publication 919* beginning on page 12. If too much or too little tax is being withheld, you should give your employer a new Form W-4 to change your withholding.

Note. You cannot give your employer a payment to cover federal income tax withholding on salaries and wages for past pay periods or a payment for estimated tax.

Completing Form W-4 and Worksheets

When reading the following discussion, you may find it helpful to refer to the filled-in Form W-4 on pages 10 and 11.

Marital Status (Line 3 of Form W-4)

There is a lower withholding rate for people who qualify to check the "Married" box on line 3 of Form W-4. Everyone else must have tax withheld at the higher single rate.

Single. You must check the "Single" box if any of the following applies.

- You are single. If you are divorced, or separated from your spouse under a court decree of separate maintenance, you are considered single.
- You are married, but neither you nor your spouse is a citizen or resident of the United States.
- You are married, either you or your spouse is a nonresident alien, and you have not chosen to have that person treated as a resident alien for tax purposes. For more information, see *Nonresident Spouse Treated as a Resident* in chapter 1 of Publication 519.

Married. You qualify to check the "Married" box if any of the following applies.

- You are married and neither you nor your spouse is a nonresident alien. You are considered married for the whole year even if your spouse died during the year.
- You are married, either you or your spouse is a nonresident alien, and you have chosen to have that person treated as a resident alien for tax purposes. For more information, see *Nonresident Spouse Treated as a Resident* in chapter 1 of Publication 519.
- You expect to be able to file your return as a qualifying widow or widower. You usually can use this filing status if your spouse died within the previous 2 years and you provide more than half the cost of keeping up a home for the entire year that was the main home for you and your child whom you can claim as a dependent. However, you must file a new Form W-4 showing your filing status as single by December 1 of the last year you are eligible to file as a qualifying widow or widower. For more information on this filing status, see *Qualifying Widow(er) With Dependent Child* under *Filing Status* in Publication 501, Exemptions, Standard Deduction, and Filing Information.

Married, but withhold at higher single rate. Some married people find that they do not have enough tax withheld at the married rate. This can happen, for example, when both spouses work. To avoid this, you can check the "Married, but withhold at higher Single rate" box (even if you qualify for the married rate). Also, you may find that more tax is withheld if you fill out the Two-Earners/Multiple Jobs Worksheet, explained on page 9.

Withholding Allowances (Line 5 of Form W-4)

The more allowances you claim on Form W-4, the less income tax your employer will withhold. You will have the most tax withheld if you claim "0" allowances. The number of allowances you can claim depends on the following factors.

- How many exemptions you can take on your tax return.
- Whether you have income from more than one job.
- What deductions, adjustments to income, and credits you expect to have for the year.
- Whether you will file as head of household.

If you are married, it also depends on whether your spouse also works and claims any allowances on his or her own Form W-4.

Form W-4 worksheets. Form W-4 has worksheets to help you figure how many withholding allowances you can claim. The worksheets are for your own records. Do not give them to your employer.

Complete only one set of Form W-4 worksheets, no matter how many jobs you have. If you are married and will file a joint return, complete only one set of worksheets for you and your spouse, even if you both earn wages and each must give a Form W-4 to your employers. Complete separate sets of worksheets only if you and your spouse will file separate returns.

If you are not exempt from withholding (see *Exemption From Withholding* on page 13), complete the Personal Allowances Worksheet on page 1 of the form. Also, use the worksheets on page 2 of the form to adjust the number of your withholding allowances for itemized deductions and adjustments to income, and for two-earner or multiple-job situations. If you want to adjust the number of your withholding allowances for certain tax credits, use the Deductions and Adjustments Worksheet on page 2 of Form W-4, even if you do not have any deductions or adjustments.

Complete all worksheets that apply to your situation. The worksheets will help you figure the maximum number of withholding allowances you are entitled to claim so that the amount of income tax withheld from your wages will match, as closely as possible, the amount of income tax you will owe at the end of the year.

Multiple jobs. If you have income from more than one job at the same time, complete only one set of Form W-4 worksheets. Then split your allowances between the Forms W-4 for each job. You cannot claim the same allowances with more than one employer at the same time. You can claim all your allowances with one employer and none with the other(s), or divide them any other way.

Married individuals. If both you and your spouse are employed and expect to file a joint return, figure your withholding allowances using your combined income, adjustments, deductions, exemptions, and credits. Use only one set of worksheets. You can divide your total allowances any way, but you cannot claim an allowance that your spouse also claims.

If you and your spouse expect to file separate returns, figure your allowances using separate worksheets based on your own individual income, adjustments, deductions, exemptions, and credits.

Alternative method of figuring withholding allowances. You do not have to use the Form W-4 worksheets if you use a more accurate method of figuring the number of withholding allowances.

The method you use must be based on withholding schedules, the tax rate schedules, and the 2009 Estimated Tax Worksheet in chapter 2. It must take into account only the items of income, adjustments to income, deductions, and tax credits that are taken into account on Form W-4.

You can use the number of withholding allowances determined under an alternative method rather than the number determined using the Form W-4 worksheets. You still must give your employer a Form W-4 claiming your withholding allowances.

Employees who are not citizens or residents. If you are neither a citizen nor a resident of the United States, you usually can claim only one withholding allowance. However, this rule does not apply if you are a resident of Canada or Mexico, or if you are a U.S. national. It also does not apply if your spouse is a U.S. citizen or resident and you have chosen to be treated as a resident of the United States. Special rules apply to residents of Korea and India. For more information, see *Withholding From Compensation* in chapter 8 of Publication 519.

Personal Allowances Worksheet

Use the Personal Allowances Worksheet on page 1 of Form W-4 to figure your withholding allowances based on all of the following that apply.

- Exemptions.
- Only one job.
- Head of household filing status.
- Child and dependent care credit.
- Child tax credit.

Exemptions (worksheet lines A, C, and D). You can claim one withholding allowance for each exemption you expect to claim on your tax return.

Self. You can claim an allowance for your exemption on line A unless another person can claim an exemption for you on his or her tax return. If another person is entitled to claim an exemption for you, you cannot claim an allowance for your exemption even if the other person will not claim your exemption or the exemption will be reduced.

Spouse. You can claim an allowance for your spouse's exemption on line C unless your spouse is claiming his or her own exemption or another person can claim an exemption for your spouse. Do not claim this allowance if you and your spouse expect to file separate returns.

Dependents. You can claim one allowance on line D for each exemption you will claim for a dependent on your tax return.

Reduction of personal allowances. For 2009, your deduction for personal exemptions on your tax return is reduced if your adjusted gross income (AGI) is more than the AGI shown below for your filing status.

Single	$166,800
Married filing jointly or qualifying widow(er)	$250,200
Married filing separately	$125,100
Head of household	$208,500

If you expect your AGI to be more than that amount, use Worksheet 1-1 below to figure your reduced number of personal allowances on lines A, C, and D of the Personal Allowances Worksheet.

Only one job (worksheet line B). You can claim an additional withholding allowance if any of the following apply for 2009.

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

If you qualify for this allowance, enter "1" on line B of the worksheet.

Head of household filing status (worksheet line E). Generally, you can file as head of household if you are unmarried and pay more than half the cost of keeping up a home that:

- Was the main home for all of 2009 of your parent whom you can claim as a dependent, or
- You lived in for more than half the year with your qualifying child or any other person you can claim as a dependent.

For more information, see Publication 501.

If you expect to file as head of household on your 2009 tax return, enter "1" on line E of the worksheet.

Child and dependent care credit (worksheet line F). Enter "1" on line F if you expect to claim a credit for at least $1,800 of qualifying child or dependent care expenses on your 2009 return. Generally, qualifying expenses are those you pay for the care of your dependent who is your qualifying child under age 13 or for your spouse or dependent who is not able to care for himself or herself so that you can work or look for work. For more information, see Publication 503, Child and Dependent Care Expenses.

Instead of using line F, you can choose to take the credit into account on line 5 of the Deductions and Adjustments Worksheet, as explained under *Tax credits* on page 8.

Child tax credit (worksheet line G). If your total income will be less than $61,000 ($90,000 if married), enter "2" on line G for each eligible child. Subtract "1" from that amount 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" on line G for each eligible child plus "1" additional if you have six or more eligible children.

An eligible child is any child:

- Who is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild),
- Who will be under age 17 at the end of 2009,
- Who will not provide over half of his or her own support for 2009,
- Who will live with you for more than half of 2009,
- Who is a U.S. citizen, U.S. national, or a resident of the United States,
- For whom you will claim a personal exemption,
- Who will not file a joint return, unless the return is filed only as a claim for refund, and
- Who is younger than you.

Also, if the parents of a child can claim the child as an eligible child, no one else can claim the child as an eligible child unless that person's AGI is higher than the highest AGI of any parent of the child.

For more information about the child tax credit, see the instructions in your Form 1040 or Form 1040A tax package.

Instead of using line G, you can choose to take the credit into account on line 5 of the

Worksheet 1-1. Personal Allowances Worksheet (Form W-4) Reduction of Personal Allowances if AGI Above Phaseout Threshold

1. Enter the total number of allowances on lines A, C, and D of the Personal Allowances Worksheet without regard to the phaseout rule		**1.** ______
2. Enter your expected AGI	**2.** ______	
3. Enter: $166,800 if single $250,200 if married filing jointly or qualifying widow(er) $125,100 if married filing separately $208,500 if head of household	**3.** ______	
4. Subtract line 3 from line 2	**4.** ______	
5. Divide line 4 by $125,000 ($62,500 if married filing separately). Enter the result as a decimal		**5.** . ______
6. Multiply line 1 by line 5. If the result is not a whole number, increase it to the next higher whole number		**6.** ______
7. Divide line 6 by 3.0		**7.** ______
8. Subtract line 7 from line 1. The total of the numbers you enter on lines A, C, and D of the Personal Allowances Worksheet cannot be more than this amount		**8.** ______