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## Stimulus surprise: 15 million may owe IRS

**Treasury report estimates many may be getting paid more of the Making Work Pay credit than they should. Their refunds may be cut or they'll have to cough up the overpaid amount.**

By Jeanne Sahadi, CNNMoney.com senior writer  
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NEW YORK (CNNMoney.com) -- Nothing with taxes is ever simple, even when you're getting a tax break.

An estimated 15.4 million tax filers may be getting paid more of the Making Work Pay credit than they should, according to a report from a Treasury Department inspector general publicly released Monday.

And that means they either will get less of a refund than they expected, or will actually owe money to the IRS on their 2009 taxes.

The IRS said in a written response to the report that the agency believes far fewer people than the inspector general estimates would be affected, and that the majority who might be would see less of a refund but would not have an out-of-pocket tax liability come April 15.

The taxpayers most vulnerable are those in two-earner couples; those who have dependents who earn wages; single or married filers who have more than one job at the same time; and filers who get pension payments or have a job and receive Social Security benefits.

The Making Work Pay credit, created as part of the stimulus legislation enacted in February, is equal to 6.2% of earnings up to \$400 per person (or up to \$800 per couples who file jointly). The full credit is paid to people making \$75,000 or less (\$150,000 per couple per household). A partial credit would be paid to those making above those amounts but no more than \$95,000 (\$190,000 for couples per household).

For most who qualify, the 2009 credit is being paid in advance incrementally through their paychecks. And it's been automatic - meaning employers, based on what they know of a worker's income and using IRS withholding tables, automatically reduce the amount of taxes withheld from a worker's paycheck.

But an employer doesn't know the income of the worker's spouse or whether the worker is claiming a dependent who also is earning money, or whether the worker has income from other jobs.

So, for instance, two spouses might be receiving the full credit at their jobs when their joint income only qualifies them for a partial credit or none at all. Another scenario: A single person with more than one job might be receiving the full credit at each of his jobs, when in fact he's only entitled to \$400 total.

You get the picture.

Such taxpayers could have increased their withholding to account for the possibility that they might receive more of the credit than they should. Indeed, when the credit was first passed, the IRS put out statements and created a [calculator](#) to help taxpayers in such situations figure out how much tax they should have withheld. But that doesn't mean that everyone did.

Those who have had too little tax withheld this year will either face a reduced refund or owe money to the IRS. The money primarily would be the amount of the credit overpaid to them. But a much smaller group might also owe a penalty if they were significantly underwithheld.

"More than 1.2 million taxpayers included in these groups may be subject to: 1) paying back some or all of the Making Work Pay Credit and 2) being assessed the estimated tax penalty or an increased estimated tax penalty as a direct result of the Making Work Pay Credit," the inspector general's report said.

The good news is that the IRS is likely to waive penalties for filers who may have to pay an estimated tax penalty or who would see their estimated penalty increased as a result of the Making Work Pay credit, according to the report.

The inspector general's report also recommended that the IRS embark on an expanded effort to publicize this issue more and specifically target the message to those tax filers most likely to be affected. ■

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