To: University of Tennessee Employees

From: Robert C. Chance

Date: March 11, 2009

Subject: Income Tax Withholding Changes

The American Recovery and Reinvestment Act became law on February 17th, 2009. If you qualify for the Making Work Pay Tax Credit component of this Act, the amount of Federal Income Tax withheld from your pay will be reduced for the remainder of the calendar year. Any excess withholding since the Act was signed will be refunded on the next paycheck.

The maximum annual amount of the credit is $400 for single filers and $800 for married couples filing jointly. The credit phases out for a married couple filing a joint return with modified adjusted gross income between $150,000 and $190,000 and for other taxpayers with modified adjusted gross income between $75,000 and $95,000. As a result of these limits, employees with higher salaries will not see any change in their income tax withholding. Additionally, non-resident aliens are not eligible for the credit and will not see any changes in their income tax withholding.

If you meet any of the three following situations, you should carefully review your withholding amounts and consider adjusting your W-4 form:

- You and your spouse both work and your combined tax withholding reduction will exceed the maximum amount of the credit you can claim.
- You and your spouse both work and your combined adjusted gross income will exceed the income limitations for the credit.
- You can be claimed as a dependent on someone else’s tax return and are not eligible for the credit.

W-4 forms are available from the UWA Payroll Office or your campus payroll office.

Please note that any difference between the reduction in withholding tax and your qualified credit amount will affect the amount of your 2009 tax refund or 2009 amount due. If you have any questions about the effect on your 2009 tax return, please consult a qualified tax advisor.