

Review Withholding to Ensure Tax Break Doesn't Become a Tax Bill

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Online Calculator Advises Taxpayers on How Much to Withhold

KANSAS CITY, MO, Mar 18, 2009 (MARKET WIRE via COMTEX) -- Starting no later than April 1, the recently passed Making Work Pay tax break will give 95 percent of the nation's workers some extra cash in their paychecks. But some taxpayers may find themselves paying a portion of that money back next year -- unless they adjust their withholding now. H&R Block (NYSE: HRB) advises workers to check their withholding to ensure the right amount of tax is taken out to avoid owing more next year.

Based on new withholding tables from the IRS, certain groups of workers may end up paying back the credit in April: ineligible individuals, dual-income households and workers with multiple jobs.

"This act gives most workers an immediate boost to their wallets. But if working taxpayers don't take precautionary steps, it could mean an unpleasant surprise next year at tax time," said Amy McAnarney, executive director of the Tax Institute at H&R Block. "You don't want to get a lower refund than expected next year, or even end up owing taxes, especially when you're supposed to be getting a boost. Now is the perfect time for a W-4 or tax check-up."

H&R Block offers a free withholding calculator to help individuals understand how their withholding will change based on the new IRS tables. Individuals can compare the expected reduction in withholding to the amount of the Making Work Pay Credit they expect to claim on their 2009 return to determine if their withholding should be increased.

"Most taxpayers will need guidance on how to maximize this benefit," McAnarney said. "Not knowing or taking the time to understand how the withholding change affects them, could lead to a costly tax bill. A little knowledge now could save you a lot of disappointment later."

The Making Work Pay Credit is one provision in the American Recovery and Reinvestment Act of 2009. For more information on key provisions affecting individuals, see this chart.

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The Tax Institute, a division of H&R Block, is a national leader in providing unbiased research, analysis and interpretation of federal and state tax laws. Staffed by Enrolled Agents, CPAs and Attorneys, The Tax Institute provides industry expertise for matters related to taxes and the professional tax preparation industry.

About H&R Block

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