



2009 Instructions for Schedule M (Form 1040A or 1040)

Making Work Pay and Government Retiree Credits

Use Schedule M to figure the following credits.

- Making work pay credit.
- Government retiree credit.

The credits may give you a refund even if you do not owe tax.

General Instructions Who Can Take the Credits

Overview. Use Schedule M to figure the following two credits.

- Making work pay credit.
- Government retiree credit.

Both credits are included in the combined total on line 14 of Schedule M. Each credit has different rules. Carefully read the information below about each credit. Even if you cannot take the making work pay credit (for example, because your adjusted gross income is too high), you may be able to take the government retiree credit.

Making work pay credit. You may be able to take a credit of up to \$400 (\$800 if married filing jointly) if you have earned income from work. Even if your federal income tax withholding was reduced during 2009 because of the credit, you must complete Schedule M and claim the credit on your return to benefit from it. You cannot take the credit if the amount you enter on line 5 is \$95,000 (\$190,000 if married filing jointly) or more, you are a nonresident alien, or you can be claimed as a dependent on someone else's return. The credit is reduced if either of the following statements is true.

- You (or your spouse, if filing jointly) received a \$250 economic recovery payment during 2009. You may have received an economic recovery payment if you received social security benefits, supplemental security income (SSI) benefits, railroad retirement benefits, or veterans disability compensation or pension benefits.
- You take the government retiree credit discussed next.

Government retiree credit. You can take a credit of \$250 (\$500 if married filing jointly and both spouses qualify) if you (or your spouse, if filing jointly) received a pension or annuity payment in 2009 for

service performed for the U.S. Government or any U.S. state or local government (or any agency of one or more of these) and the service was not covered by social security. But you cannot take the credit if you and your spouse both received a \$250 economic recovery payment during 2009. You may have received an economic recovery payment if you received social security benefits, SSI benefits, railroad retirement benefits, or veterans disability compensation or pension benefits.

Social security number. To take either credit, you must include your social security number (if filing a joint return, the number of either you or your spouse) on your return. A social security number does not include an identification number issued by the IRS.

Effect of Credits on Welfare Benefits

Any refund you receive as a result of either credit will not be used to determine if you are eligible for the following programs, or how much you can receive from them. But if the refund you receive because of either credit is not spent within a certain period of time, it may count as an asset (or resource) and affect your eligibility.

- Temporary Assistance for Needy Families (TANF).
- Medicaid and SSI.
- Supplemental Nutrition Assistance Program (food stamps) and low-income housing.

Specific Instructions

Line 1a

If you are filing Form 1040NR or can be claimed as someone else's dependent, skip lines 1a through 8, enter -0- on line 9, and

go to line 10. You are not eligible for the making work pay credit, but you may be eligible for the government retiree credit.

Wages. The amount of your wages is generally the amount reported on line 7 of Form 1040A or 1040.

Earned income. If you checked the "No" box on line 1a, complete the worksheet on page M-2 and enter on line 1a the amount you figured using the worksheet.

Line 1b

Enter on line 1b the total nontaxable combat pay you, and your spouse if filing jointly, received in 2009. This amount should be shown in Form W-2, box 12, with code Q.

Line 5

If you are filing Form 2555, 2555-EZ, or 4563, or are excluding income from Puerto Rico, enter on line 5 the following total instead of the amount on Form 1040, line 38:

1. Form 1040, line 38, plus
2. Any exclusion of income from Puerto Rico, plus
3. Any amounts from—
 - a. Form 2555, lines 45 and 50,
 - b. Form 2555-EZ, line 18, and
 - c. Form 4563, line 15.

Line 10

An economic recovery payment is a \$250 payment sent to you by the U.S. Treasury during 2009 if you received one of the types of benefits listed on line 10 during November 2008, December 2008, or January 2009. If both you and your spouse received those benefits, you each may have received an economic recovery payment.



Before you begin:

- ✓ If you are claiming the additional child tax credit and have already completed Form 8812, enter on line 1a of Schedule M the amount from line 4a of your Form 8812. Do not complete the worksheet below.
- ✓ Disregard community property laws when figuring the amounts to enter on this worksheet.
- ✓ If married filing jointly, include your spouse's amounts with yours when completing this worksheet.

1. a. Enter the amount from line 7 of Form 1040A or Form 1040 **1a.** _____
 b. Enter the amount of any nontaxable combat pay received. Also enter this amount on Schedule M, line 1b. This amount should be shown in Form(s) W-2, box 12, with code Q. **1b.** _____
Next, if you are filing Schedule C, C-EZ, F, or SE, or you received a Schedule K-1 (Form 1065 or Form 1065-B), go to line 2a. Otherwise, skip lines 2a through 2e and go to line 3.
2. a. Enter any statutory employee income reported on line 1 of Schedule C or C-EZ **2a.** _____
 b. Enter any net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1.* Reduce this amount by any partnership section 179 expense deduction, any depletion on oil and gas properties, and any unreimbursed nonfarm partnership expenses deducted on Schedule E. **Do not** include any statutory employee income or any other amounts exempt from self-employment tax. Options and commodities dealers must add any gain or subtract any loss (in the normal course of dealing in or trading section 1256 contracts) from section 1256 contracts or related property **2b.** _____
 c. Enter any net farm profit or (loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), box 14, code A.* Reduce this amount by any partnership section 179 expense deduction, any depletion on oil and gas properties, and any unreimbursed farm partnership expenses deducted on Schedule E. **Do not** include any amounts exempt from self-employment tax **2c.** _____
 d. If you used the farm optional method to figure net earnings from self-employment, enter the amount from Schedule SE, Section B, line 15. Otherwise, skip this line and enter on line 2e the amount from line 2c **2d.** _____
 e. If line 2c is a profit, enter the **smaller** of line 2c or line 2d. If line 2c is a (loss), enter the (loss) from line 2c. . . . **2e.** _____
3. Combine lines 1a, 1b, 2a, 2b, and 2e. If zero or less, **stop**. Do not complete the rest of this worksheet. Instead, enter -0- on line 1a of Schedule M, skip lines 1b through 8, enter -0- on line 9, and go to line 10 of Schedule M **3.** _____
4. Enter any amount included on line 1a that is:
 - a. A scholarship or fellowship grant not reported on Form W-2 **4a.** _____
 - b. For work done while an inmate in a penal institution (enter "PRI" and this amount on the dotted line next to line 7 of Form 1040A or 1040) **4b.** _____
 - c. A pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan (enter "DFC" and this amount on the dotted line next to line 7 of Form 1040A or 1040). This amount may be shown in box 11 of your Form W-2. If you received such an amount but box 11 is blank, contact your employer for the amount received as a pension or annuity **4c.** _____
5. a. Enter any amount included on line 3 that is also included on Form 2555, line 43, or Form 2555-EZ, line 18. **Do not** include any amount that is also included on line 4a, 4b, or 4c above **5a.** _____
 b. Enter the amount, if any, from Form 2555, line 44, that is also deducted on Schedule C, C-EZ, or F, or included on Schedule E in partnership net income or (loss) **5b.** _____
 c. Subtract line 5b from line 5a **5c.** _____
6. Enter the amount from Form 1040, line 27 **6.** _____
7. Add lines 4a through 4c, 5c, and 6 **7.** _____
8. Subtract line 7 from line 3. Enter the result here and on Schedule M, line 1a **8.** _____

*If you have any Schedule K-1 amounts and you are not required to file Schedule SE, complete the appropriate line(s) of Schedule SE, Section A. Put your name and social security number on Schedule SE and attach it to your return.