



## **The American Recovery and Reinvestment Act of 2009**

### Changes to Tax Credits for Employees

#### Earned Income Tax Credit

The Act temporarily increases the earned income tax credit (EITC) by increasing the EITC credit percentage for families with three or more children and by granting additional marriage penalty relief.

For families with three or more qualifying children, the EITC credit percentage for 2009 and 2010 will increase from 40 percent to 45 percent. For 2009, the increased percentage would be applied against a family's first \$12,570 of earned income. The change for this year will result in a maximum credit of \$5,657, up from \$5,028.

For marriage penalty relief, the Act increases the earned income phase-out threshold for married couples filing joint returns. The threshold rises to \$5,000 above the threshold phase-out amounts for singles for 2009 and 2010. The \$5,000 increase will be adjusted for inflation for years beginning in 2010. The provision is effective for taxable years beginning after December 31, 2008.

#### Child Tax Credit

The Act increases the eligibility for the refundable tax credit by modifying the earned income formula. Under the change, the formula used to determine the refundable child credit is modified to apply to 15 percent of earned income in excess of a base of \$3,000, instead of \$12,550 for 2009 under prior law. The change applies to taxable years beginning in 2009 and 2010.

For additional information, please visit [www.irs.gov](http://www.irs.gov)