



2010 Instructions for Schedule M (Form 1040A or 1040)

Making Work Pay Credit

Use Schedule M to figure the making work pay credit. This credit may give you a refund even if you do not owe tax.

General Instructions

What's New

Schedule M can no longer be used to take a government retiree credit. The government retiree credit was available only for 2009.

Who Can Take the Credit

You may be able to take the credit if you have earned income from work. The credit can be as much as \$400 (\$800 if married filing jointly).

You cannot take the credit if:

- The amount you enter on line 5 of Schedule M 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. (If you are married and claim the making work pay credit on a 2010 joint return, neither you nor your spouse can be claimed as a dependent on anyone else's 2010 return.)

The credit is reduced if you (or your spouse, if filing jointly) received a \$250 economic recovery payment in 2010. See the instructions for line 10.

Social security number. To take the 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. Only the Social Security Administration issues social security numbers.

Effect of Credit on Welfare Benefits

Any refund you receive as a result of the credit will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

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

But if the refund you receive because of the credit is not spent within a certain period of time, it may count as an asset (or resource) and affect your eligibility.

Specific Instructions

Line 1a

Wages. The amount of your wages is generally the amount reported on line 7 of Form 1040A or 1040. Wages do not include income from self-employment.

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. (You should have checked the "No" box on line 1a if your wages were less than \$6,451 (\$12,903 if married filing jointly) or you meet one or more of the conditions listed after "Important" above line 1a.)

Line 1b

Enter on line 1b the total nontaxable combat pay you, and your spouse if filing jointly, received in 2010. This amount should be shown in box 12 of Form W-2 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 if you received social security benefits or one of the other types of benefits listed on line 10 during the 3 months shown on line 10. Most economic recovery payments were issued in 2009, but some were issued in 2010. You may have received an economic recovery payment in 2010 if you did not get one in 2009.

Enter **only** economic recovery payment(s) received in 2010. **Do not** enter any economic recovery payment(s) received in 2009.



Check your records if you are not sure whether you received an economic recovery payment in 2009 or 2010 or go to IRS.gov. Enter "making work pay credit" in the search box and click on "Search." Then select "The Making Work Pay Tax Credit."



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, add your spouse's amounts to 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 box 12 of Form(s) W-2 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 any Schedule K-1 amounts as described in the instructions for completing Schedule SE in the Partner's Instructions for Schedule K-1. **Do not** include on this line 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 any Schedule K-1 amounts as described in the instructions for completing Schedule SE in the Partner's Instructions for Schedule K-1. **Do not** include on this line any amount 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. You **do not** qualify for the making work pay credit **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 portion, if any, of the amount from Form 2555, line 44, that you also included on Schedule E in partnership net income or (loss) or deducted on Form 1040, line 27; Schedule C; Schedule C-EZ; or Schedule F **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.*