



February 16, 2010

The Impact of the Making Work Pay Credit of the American Recovery and Reinvestment Act of 2009 on Federal Income Tax Withholding

This information is for pre-merger Delta and Northwest individuals receiving pension payments in 2009 and 2010. Delta is providing this information so that you are aware of the possible tax impact of the Making Work Pay Credit contained within the American Recovery and Reinvestment Act of 2009 (ARRA).

This information should not be considered legal or tax advice. Delta does not provide legal or tax advice and you may wish to consult an attorney or tax advisor regarding your specific situation.

What is the Making Work Pay Credit?

The Making Work Pay Credit is part of the ARRA that was signed into law in 2009 to help jump-start the economy. It is a refundable credit against federal income tax on "earned income" for eligible taxpayers. If eligible, a credit reduces income tax that you would otherwise owe, and the credit is generally claimed at the time you file your tax return. For some credits, taxpayers may not receive the benefit of the credit until a tax return is filed (or even later when a refund is received). However, in an effort to increase spending and stimulate the economy, the Making Work Pay credit was effectively made available to taxpayers prior to claiming the credit on a tax return. This was accomplished by the IRS instructing employers (through new withholding tables) to decrease federal income tax withholding on payments throughout the year, which increased take-home pay for many taxpayers.

How Does the ARRA Affect Pension Participants?

The credit can only be claimed against income tax on "earned income" and as defined by the IRS, pension payments do not qualify as earned income. Therefore, pensioners do not qualify for the credit, unless they receive earned income from another source. However, withholding tables published by the IRS for implementing the Making Work Pay Credit, which were followed by Delta (and other employers), also applied to pension payments. These instructions from the IRS created the potential for some taxpayers to have their taxes under-withheld at the end of the year because they were not eligible for some or all of the credit upon filing their tax return. This issue is not unique to Delta. In a report published by the Treasury Inspector General for Tax Administration and dated November 4, 2009, it was estimated that implementation of the credit may negatively affect more than 15.4 million taxpayers.

Do I need to do anything?

The Making Work Pay Credit applies in 2010, and the withholding tables applied by Delta in 2009 will continue to be applied in 2010. If you believe your current withholding is not appropriate for your personal situation, you can adjust your withholding by filing [Form W-4P](#), Withholding Certificate for Pension or Annuity Payments..

What if I have questions?

If you have questions about your tax statements or how to update your Federal Tax information, contact the Employee Service Center at 1-800-MY DELTA (1-800-693-3582), Monday – Friday, 8:00 am – 5:00 pm, except holidays.

To speak with an ESC representative for pay related questions:

- Press option 2
- Enter your 9-digit Delta Passport ID (Delta employee number) and press #
- Enter your Pass Travel Eligibility Date (e.g., 120594 for December 5, 1994) and press #
- Press option 4 for payroll questions