

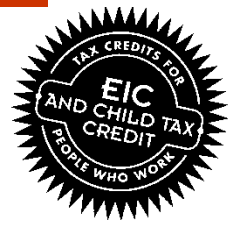
Money Talks – Have you Heard? Make Tax Time Pay!

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The Earned Income Credit (EIC)

History and Background

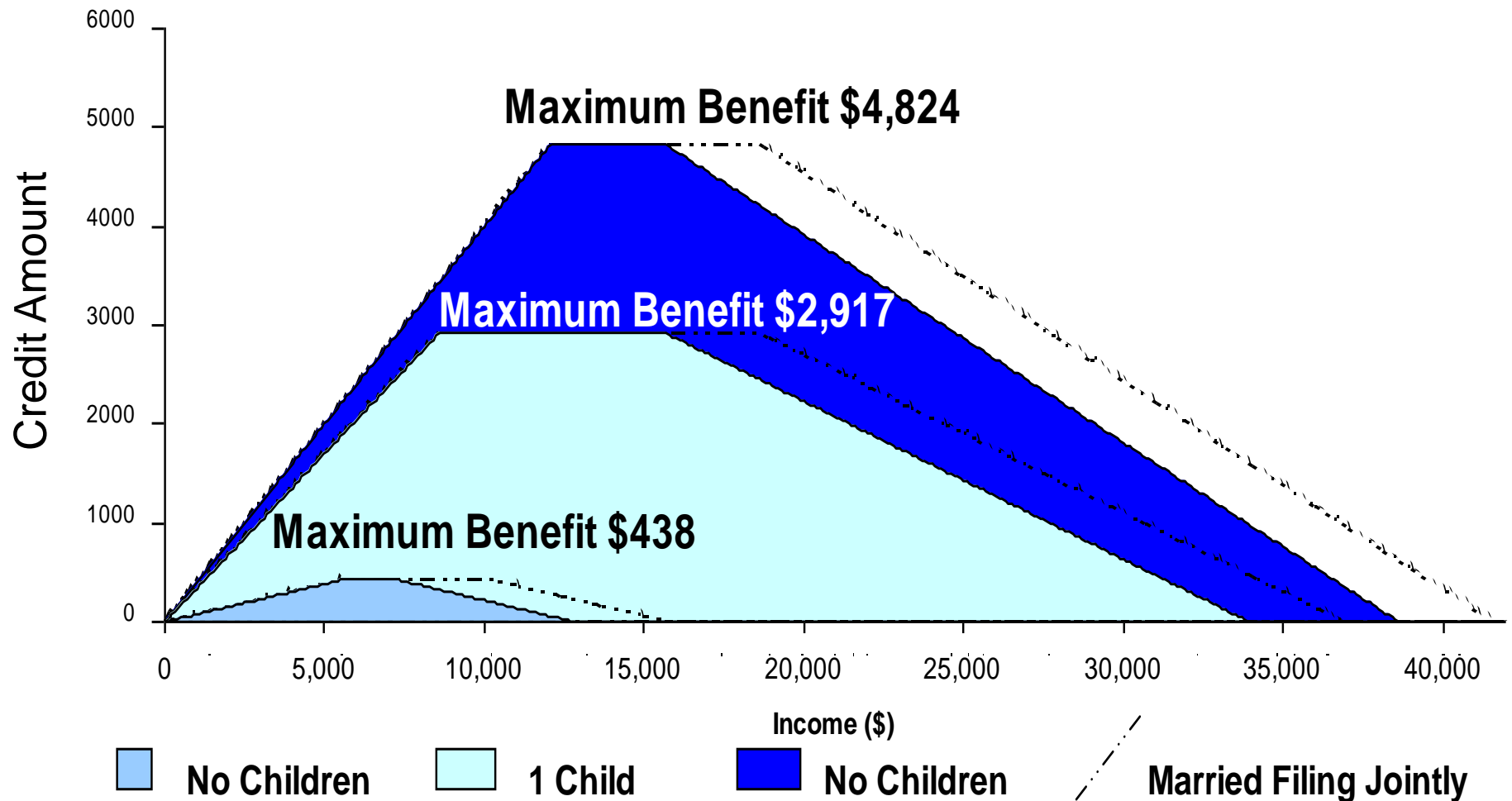


EIC History

- ❑ The federal EIC is a refundable tax credit available to families who work but earn low or moderate incomes.
- ❑ Enacted in 1975 to offset families' Social Security payroll tax withholding. It now also supplements the earnings of workers with lower wages.
 - Workers who don't earn enough to owe income tax can still get a refund.



The Federal EIC in Tax Year 2008



Note: Married couples with income in the phaseout range qualify for a higher credit than single parents — shown by dashed lines.

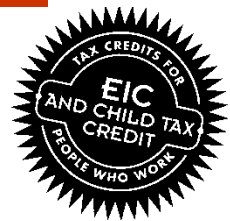
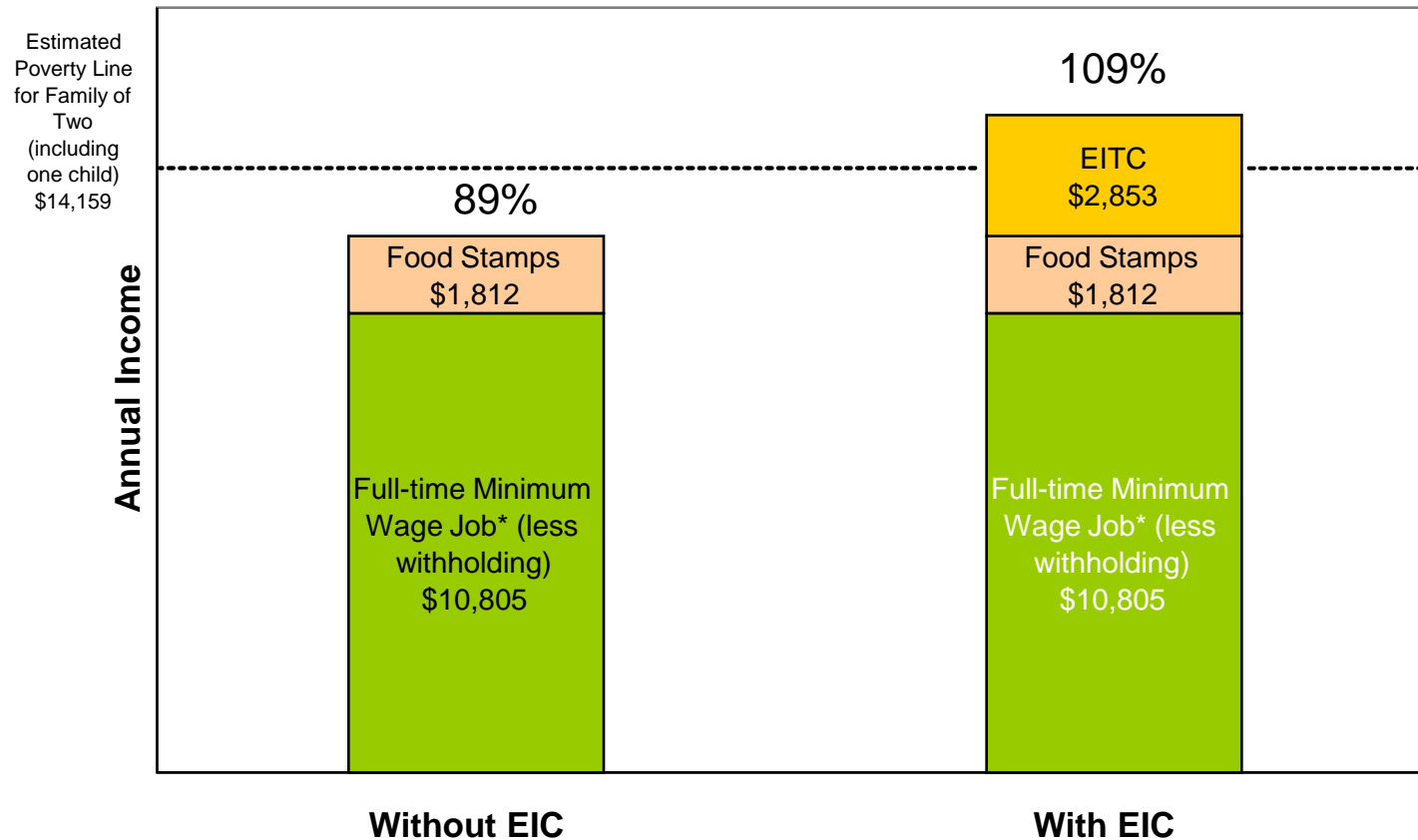
The Earned Income Credit (EIC)...

- Represents up to a 40% pay increase for some workers
- Can turn an \$8 per hour job into a \$10 per hour job
- In 2005, raised 4.1 million individuals — including 2.2 million children — above the poverty line



The EIC: Making a Difference

Helping working families out of poverty, 2007



How Do Workers Benefit?

- Single parent, 2 children, earns \$14,000
Her EIC = \$4,824
- Single parent, 2 children, earns \$18,000
Her EIC = \$4,348
- Married workers, 2 children, earn \$25,000
Their EIC = \$3,506



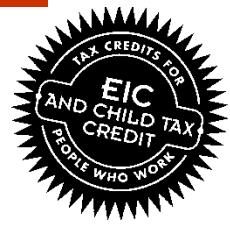
Workers use EIC refunds to:

- ❑ Pay for transportation to the job
- ❑ Keep a car in working order
- ❑ Cover child care costs
- ❑ Help cover medical expenses
- ❑ Buy food and other basic needs
- ❑ Keep current on rent and utility payments

The EIC helps workers keep working and care for themselves and their children.



Who is Eligible to Claim the EIC?



How much can workers earn and qualify for the EIC?

For tax year 2008:

Number of children:	Income less than:	EIC up to:
1 child	\$33,995	\$2,917
2 or more children	\$38,646	\$4,824
No children	\$12,880	\$438

- Income limits for married workers are \$3,000 higher than these amounts.
- Investment income cannot exceed **\$2,950**.



EIC Benefits for Tax Year 2006 at Various Income Levels

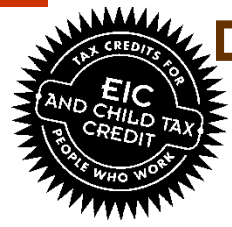
2008 household income	EIC for single workers not raising a child	EIC for single workers raising one child	EIC for single workers raising two or more children
\$ 5,000	\$383	\$1,700	\$2,000
\$ 8,000	\$315	\$2,727	\$3,200
\$10,000	\$220	\$2,917	\$4,000
\$12,000	\$67	\$2,917	\$4,800
\$14,000	\$0	\$2,917	\$4,536
\$16,000	\$0	\$2,876	\$4,824
\$20,000	\$0	\$2,236	\$3,927

Note: This is not a tax table. Do not use this table to complete income tax returns.



Who qualifies for the EIC?

- ❑ Full or part-time workers, including self-employed workers
- ❑ Workers who also receive public benefits
- ❑ Single or married workers
- ❑ Workers raising a “qualifying child” living in their home
 - Some very low-income workers without a “qualifying child” may be able to claim the EIC — age 25 to 64
- ❑ Immigrants who are legally authorized to work



Definition of a “Qualifying Child”

	EIC
Relationship	Son, daughter, grandchild, stepchild, adopted child, brother, sister, stepbrother, stepsister (or their descendants) or <i>foster child placed by a government or private agency</i>
Residence	Must live with worker in the U.S. for more than half the year
Age	Under 19 or 24 if full-time student or any age if totally and permanently disabled



How do you claim the EIC?

- ❑ A worker ***must*** file a tax return!
- ❑ Workers who did not take advantage of the EIC in the past, but were eligible to do so, can claim it for up to three previous years.



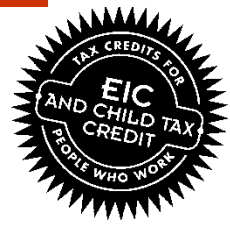
Why is outreach needed?

- ❑ **As many as 15-20% of eligible workers don't claim the EIC**
- ❑ **75% of workers who claim the EIC pay commercial fees to file returns — draining about \$1.6 billion out of EIC refunds**

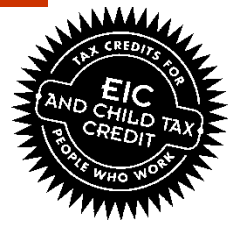


Who's Missing Out?

- **Workers at risk of missing out on the EIC include:**
 - Parents just entering the labor force
 - New parents — incl. foster and adoptive
 - Divorced or separated parents
 - Homeless workers; dislocated workers
 - Workers not raising qualifying children
 - Parents with older disabled children
 - Workers who speak English as a second language
 - Workers not otherwise required to file a tax return
 - For Tax Year 2007 (under age 65):
 - \$8,750 - single
 - \$11,250 - head of household
 - \$17,500 - married



Maximizing the EIC



Advance EIC:

Get the Most out of Every Paycheck

- ❑ Some workers raising children can get the Advance EIC in their paycheck and get a year-end refund too!
- ❑ Increase take-home pay up to \$130 p/month.
- ❑ Workers must file Form W-5 with their employer to start or stop Advance EIC payments.



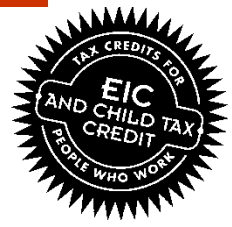
Additional Tax Credits

Child Tax Credit (CTC)

- ❑ The CTC is worth up to \$1,000 for each qualifying child under age 17
- ❑ Workers who earned *more than \$12,050* in 2008 can get a CTC refund

Child and Dependent Care Credit (DCTC)

- ❑ Federal tax credit for expenses to care for a child or a dependent with disabilities in order to work. Credit only reduces income tax.
- ❑ Maximum expenses:
 - \$3,000 for one child, \$6,000 for two or more



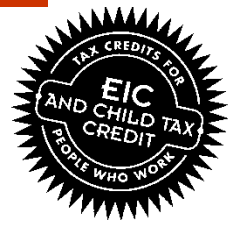
How Do Workers Benefit?

- Single parent, 2 children, earns \$14,000
Her EIC = \$4,824 + CTC = \$293
- Single parent, 2 children, earns \$18,000
Her EIC = \$4,348 + CTC = \$893
- Married workers, 2 children, earn \$25,000
Their EIC = \$3,506 + CTC = \$1,953



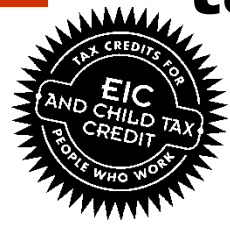
Volunteer Income Tax Assistance (VITA)

- Provides free tax filing help for low-income workers at community sites.
 - Sponsored by the IRS
 - In many communities across the country
 - Refunds deposited in 7-12 days through e-filing
- Alternative to costly commercial tax preparation fees and Refund Anticipation Loans (RALs)



Involving Utility Companies

- ❑ EIC stuffers in customer bills and newsletter articles
- ❑ Outreach to customers risking shutoff
- ❑ Include EIC info in LIHEAP outreach activity
- ❑ Sponsor and support VITA sites: PSAs, banners, billboards
- ❑ **Surveys indicate EIC recipients use tax refunds to pay overdue bills**



Spectrum of Outreach Approaches

Building a Tax Credit Outreach Campaign

Distribute tax credit info and direct workers to free tax filing

Conduct outreach events and create opportunities to file

Get in position to enrich and sustain outreach efforts in the future

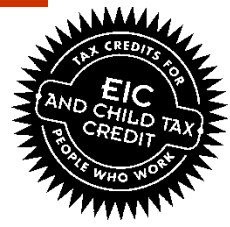


Engage others in reaching out through their own networks

Expand and improve free tax filing sites

How Many Workers Claim EITC in *Your* Community?

- EITC Claims: State, City, County
- Data at Zip Code Level
- Number of Claims, Dollars Claimed
- Number of EITC Claims with a Refund Loan
- Guide to estimating # eligible not claiming
- Brookings Website:
www.brookings.edu/metro/EITC/EITC-Homepage.aspx



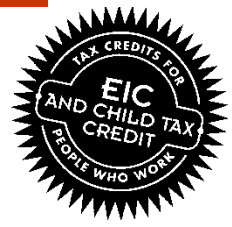
State EITCs

- ❑ 22 states and D.C. enacted state EITCs, which “piggy-back” on the federal credit and further benefit lower-wage workers
- ❑ states establish the credit as a percentage (anywhere from 5% -- 50%) of the federal EITC
- ❑ 19 states provide the EITC to workers who earn too little to owe income tax



Economic Stimulus Payments — Many risk missing out

- ❑ Up to 20.5 million Americans who rely primarily on Social Security or VA benefits, *but don't usually file a tax return*, may qualify for a stimulus payment — but have to file a return.
- ❑ IRS now is checking to see who hasn't yet filed.



Outreach Campaign onto October

- ❑ October 15 is deadline to file
- ❑ Who's at risk?
 - Seniors, especially shut-ins
 - Soc. Sec. disability recipients
 - Disabled veterans
 - Low-income workers who are nonfilers



Help Reach Those Who May Miss Their Payment

- For IRS information, visit www.irs.gov/newsroom/article/0,,id=178061,00.html.
- Outreach action — www.cbpp.org/stimuluspayment2008
- Prepare a “stimulus” tax return at www.aarp.org/stimulus.

