

# *Money Talks! Have You Heard?*

## Promote the Earned Income Tax Credit and Child Tax Credit

Presentation by: John Wancheck  
Center on Budget & Policy Priorities  
Phone: 202-408-1080  
Email: [wancheck@cbpp.org](mailto:wancheck@cbpp.org)  
Web: [www.eitcoutreach.org](http://www.eitcoutreach.org)  
[www.cbpp.org](http://www.cbpp.org)



# What are the Earned Income Credit (EIC) and the Child Tax Credit (CTC)?

---

- ❑ Federal tax benefits for low-income working families and individuals

## Purpose:

- Offset income and payroll taxes
- Supplement wages
- Reward full-time work

## Key Features:

- Reduces taxes workers may owe
- Even if workers don't owe taxes, they can be eligible
- Some families can claim both credits



# How do Workers Use the Credits?

---

- ❑ Transportation
- ❑ Auto repairs
- ❑ Child care
- ❑ Medical expenses
- ❑ Food and basic needs
- ❑ Rent and utility payments

**The credits help workers keep working and care for themselves and their children.**

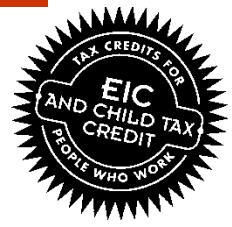


# Did You Know...?

---

## *The Earned Income Credit (EIC) Boosts Workers' Income*

- As much as a 45% pay increase
- \$8/hour job → \$10+/hour job

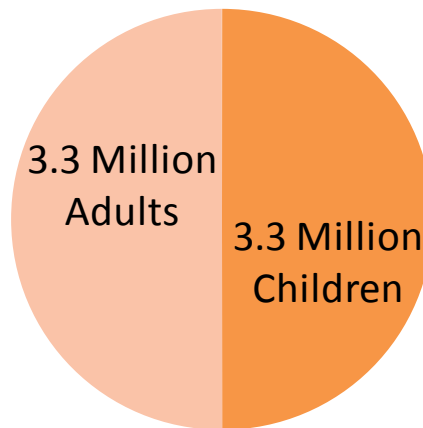


# Did You Know...?

---

*The EIC Lifts More than 6 Million Above the Poverty Line*

**2009**



# Why is Outreach Needed?

---

## *EIC Eligible Workers*



75 – 80% Claim EIC

20 - 25% Do Not  
Claim EIC



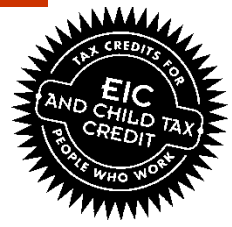
# EIC Dollars Left Unclaimed

---



Up to **\$8 billion** in EIC refunds went unclaimed in 2008

**Efforts are needed to ensure eligible workers know how to claim the EIC and other tax credits.**



# How Do Workers Claim the Credits?

---

- Workers ***must*** file a tax return!
  - Form 1040 or Form 104A – not 1040EZ
  - EIC - Schedule EIC
  - CTC - Form 8812 – for CTC
  
- Workers not raising children can file any form
  
- Eligible workers can claim EIC and CTC refunds for up to 3 previous years.



# EIC and CTC Expanded

---

- Higher EIC for families with 3+ children
- Higher EIC for married workers earning over \$16,500; raises top income limit
- Increased CTC for workers earning above \$3,000 = a \$1,500 increase for a full-time worker at minimum wage with two children. Benefits 10 million children.
  - Expansions in effect for work in 2009 & 2010



# How Much Can Workers Earn and Qualify for the EIC?

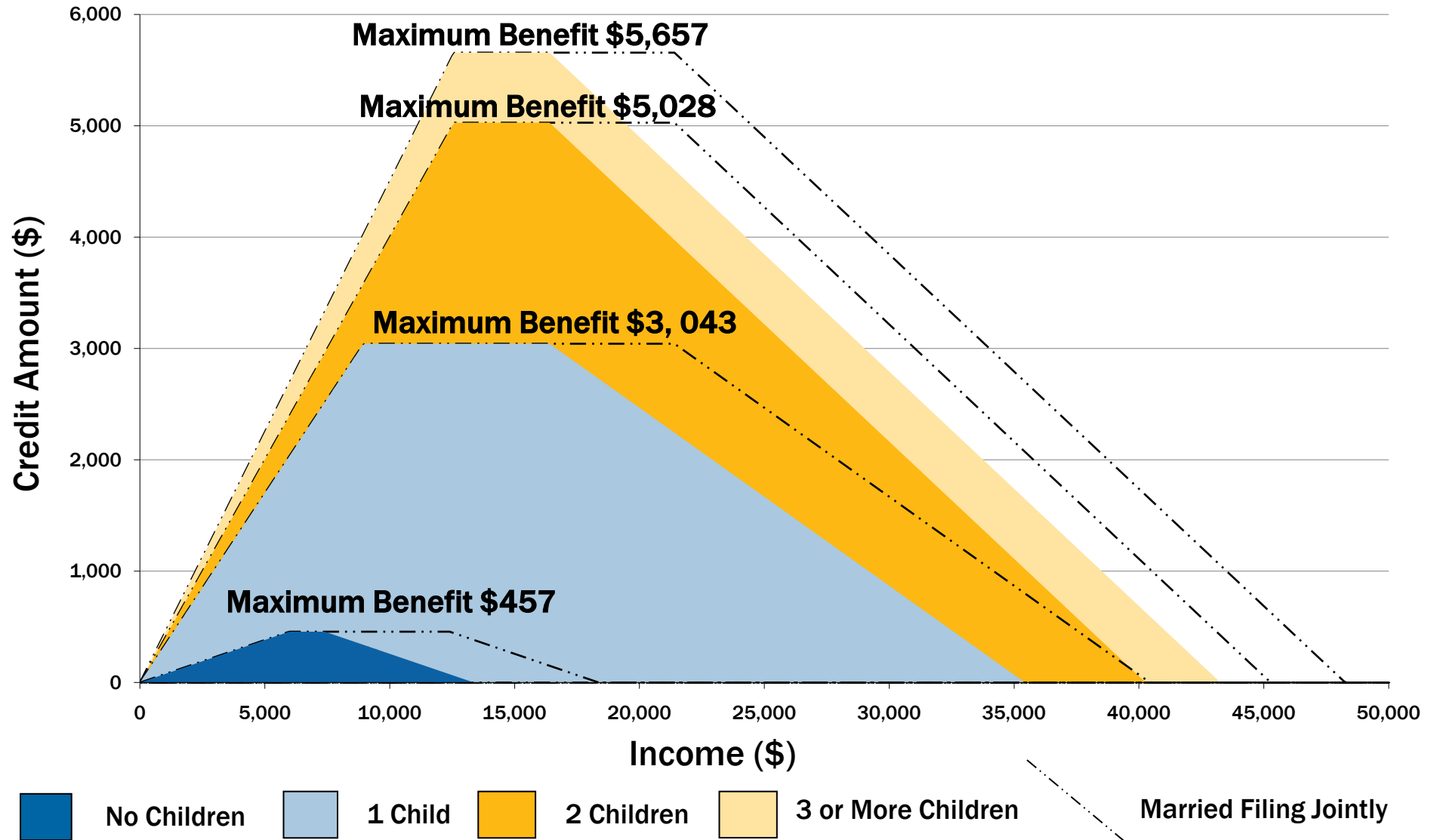
*For Tax Year 2009:*

Number of children:	Income less than:	EIC up to:
3 or more children	\$43,279	\$5,657
2 children	\$40,295	\$5,028
1 child	\$35,463	\$3,043
No children	\$13,440	\$457

- **Income limits for married workers are \$5,000 higher than these amounts.**
- Investment income cannot exceed \$3,100.



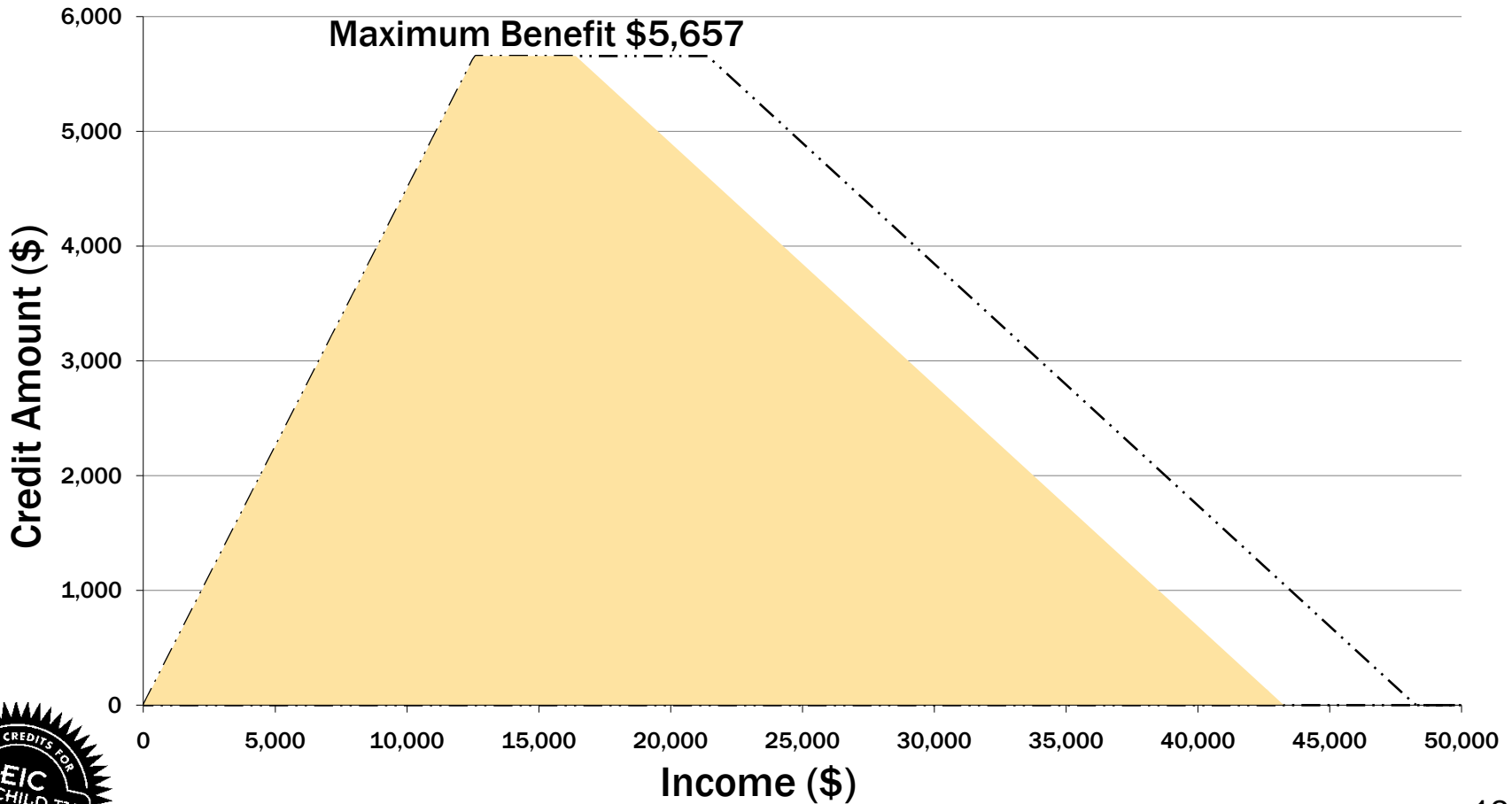
# The Federal EIC in Tax Year 2009



# The Federal EIC in Tax Year 2009

## 2009

### Workers with 3 or More Children



# EIC Benefits for Tax Year 2009 at Various Income Levels

2009 household income	EIC for single workers not raising a child	EIC for single workers raising one child	EIC for single workers raising two children	EIC for single workers raising three or more children
\$ 5,000	\$383	\$1,700	\$2,000	\$2,250
\$ 8,000	\$416	\$2,720	\$3,200	\$3,600
\$10,000	\$263	\$3,043	\$4,000	\$4,500
\$12,000	\$110	\$3,043	\$4,800	\$5,400
\$14,000	\$0	\$3,043	\$5,028	\$5,657
\$20,000	\$0	\$2,471	\$4,274	\$4,903



# How Much Can Workers Earn and Qualify for the CTC?

---

Workers who earned *more than* \$3,000 in 2009 can get a CTC refund.

<b>CTC income limits are higher than for EIC:</b>
\$110,000 for married couples
\$75,000 for single or head of household
\$55,000 married filing separately

The CTC is worth *up to* \$1,000 for each qualifying child.



# CTC Benefits

---

Maxine is a single mom raising a 15-year old child.

- ❑ She earned \$15,000 last year.
- ❑ \$1,148 in payroll tax has been withheld
- ❑ Her total tax refund is \$4,043!

***How is this possible?***



# Maxine's Tax Refund

---

<b>EIC</b>	<b>\$ 3,043</b>
<b>CTC</b>	<b>\$ 1,000</b>
<b>Total Tax Benefit</b>	<b>\$ 4,043</b>

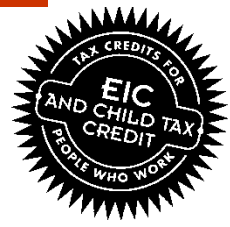
Without the CTC expansion, her refund would be \$625 lower. With 2 children, it would be \$1,400 lower.



# How Do Workers Benefit?

---

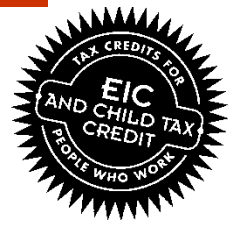
- Single parent, 2 children, earns \$14,000  
Her EIC = \$5,028 + CTC = \$1,625
- Single parent, 2 children, earns \$18,000  
Her EIC = \$4,695 + CTC = \$2,000
- Married workers, 2 children, earn \$25,000  
Their EIC = \$4,274 + CTC = \$2,000



# State EICs

---

- ❑ 22 states and D.C. enacted state EICs, which “piggy-back” on the federal credit and further benefit lower-wage workers
- ❑ State credits are a percentage (anywhere from 5% -- 50%) of the federal EIC
- ❑ Workers claim by filing a state return



---

# ***EIC and CTC — Who Is Eligible?***



# Who Qualifies for the EIC and CTC?

---

- ❑ Workers who are:
  - Working full-time, part-time or self-employed
  - Receiving public benefits
  - Single or married
  - Raising a “qualifying child”
    - ❑ Some very low-income workers without a “qualifying child” may be able to claim the EIC
  - Immigrants legally authorized to work

## **CTC ONLY:**

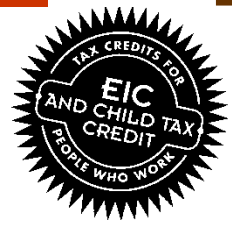
- ❑ Immigrant workers with Individual Taxpayer Identification Numbers (ITINs)
- ❑ Some non-custodial parents



# Types of Families Who Claim the EIC & CTC

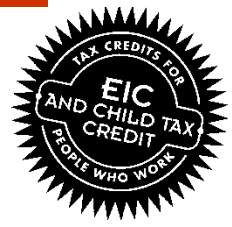
---

- Married and unmarried parents
  - Step-parents
- Grandparents, great-grandparents
  - Grandparent with child and grandchild
- Aunt or uncle
- Older brother or sister
  - Step-brother or step-sister
  - Half-brother or half-sister
- Foster and adoptive parents



---

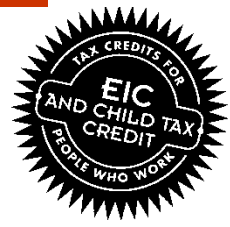
# *Other New Tax Benefits for Lower Income Workers*



# Making Work Pay Credit

---

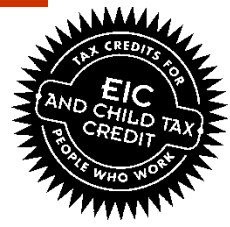
- ❑ Bonus for workers in 2009-2010
- ❑ Worth up to \$400 for single workers (\$800 for married couples)
- ❑ Most workers receive the credit automatically in their paychecks
- ❑ Self-employed must file to claim it



# American Opportunity Tax Credit

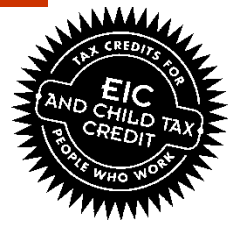
---

- ❑ Tuition during first 4 years of college
- ❑ Worth up to \$2,500
- ❑ 40% of the credit — up to \$1,000 — can be claimed even if no income tax is owed



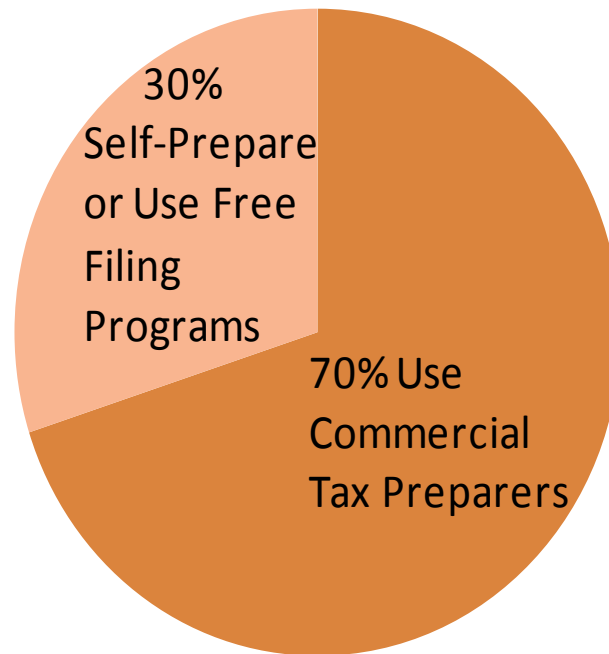
---

# *Filing for Free*



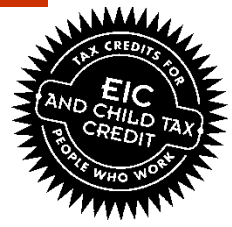
# The High Cost of Commercial Tax Preparation

- ❑ When it's time to file a tax return, many workers seek help from a commercial tax preparer.



## EIC Claimants

- ❑ Average fees range from \$85 - \$120 for e-filing.<sup>26</sup>

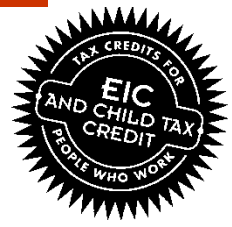


# What are RALs?

---

## *Refund Anticipation Loans*

- ❑ Very high-interest loans
  - Interest rate can be over 180 percent
  
- ❑ Processing fee can be \$80 or more
  - Some preparers charge a percentage of the EIC refund, driving fees even higher
  
- ❑ No guarantee refund will equal the loan amount

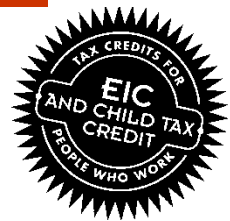


# Are There Alternatives to Commercial Tax Preparation?

---

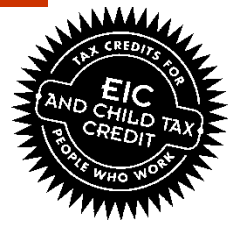
## *Volunteer Income Tax Assistance (VITA)*

- ❑ Free tax filing help for low-income workers at community sites. Partners needed!
  - In many communities across the country
  - Volunteers are trained under IRS guidance
  - Taxpayers can receive refund in 7-12 days through e-filing



---

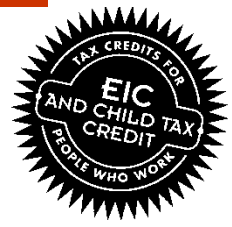
# *Reaching Out to Promote the Credits*



# Everyone Can Help Promote the Tax Credits

---

- ❑ You do NOT have to be a tax expert to help families claim their credits.
- ❑ Incorporate outreach activities into your routine work – and encourage your partners to do the same.



# Promoting the Credits

---

## *Build partnerships to connect with eligible workers:*

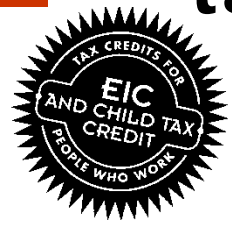
- ❑ Nonprofit health and human services providers
- ❑ Community organizations and institutions
- ❑ Faith-based groups
- ❑ Civic/service organizations
- ❑ Labor unions
- ❑ State and local government agencies (esp. public benefits)
- ❑ Employers and local businesses
- ❑ Utility companies
- ❑ Media
- ❑ IRS



# 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 sites**

**Conduct outreach events and create opportunities to file returns**

**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**



# Tax Credit Outreach Resources

---

- ❑ CBPP Outreach Campaign Kit — <http://eitcoutreach.org/>
- ❑ For IRS resources — visit [www.irs.gov/eitc](http://www.irs.gov/eitc)
- ❑ EIC claims info by community!  
Brookings Institution Interactive Data:  
[www.brookings.edu/metro/EITC/EITC-Homepage.aspx](http://www.brookings.edu/metro/EITC/EITC-Homepage.aspx)

