

ACF

Administration

for Children

and Families

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Administration on Children, Youth and Families

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INFORMATION MEMORANDUM

TO: State, Tribal and Territorial Agencies Administering or Supervising the Administration of Title IV-E of the Social Security Act, Federally-recognized Indian Tribes and Indian Tribal Organizations

SUBJECT: Program Guidance Concerning the Making Work Pay Tax Credit

LEGAL AND RELATED: American Recovery and Reinvestment Act of 2009 (Public Law 111-5); Title IV-E of the Social Security Act

PURPOSE: Provide information on the treatment of payments received through the Federal Making Work Pay (MWP) tax credit when determining financial eligibility for title IV-E programs.

INFORMATION: The American Recovery and Reinvestment Act (ARRA) created a temporary refundable tax credit for 2009 called the Making Work Pay (MWP) tax credit. For people who receive a paycheck and are subject to income tax withholding, this credit was designed to reduce tax withholding and give workers higher take-home pay. Taxpayers who did not have income taxes withheld by an employer during the year can receive the credit as a lump sum refundable credit when they file their 2009 income tax returns in 2010.

The goal of the ARRA provision was to ensure that the MWP tax credit did not jeopardize a family's eligibility for means-tested benefits. This is particularly important during a recession when many families who were previously working may be eligible for means-tested programs for the first time.

ARRA requires programs such as those under title IV-E to disregard the MWP tax credit as income, and to disregard the credit as a resource in the **month**

received and the following two months, when performing calculations to determine financial eligibility for means-tested benefits. This disregard applies to both new applicants and re-determinations for ongoing recipients.

Internal Revenue Service information regarding the MWP Tax Credit can be found at the following website address:

<http://www.irs.gov/newsroom/article/0,,id=204447,00.html>

**ACTIONS
REQUIRED:**

The title IV-E adoption assistance, foster care, and guardianship assistance programs are affected by this ARRA provision because of the link to the former Aid to Families with Dependent Children Program. In keeping with the requirements of the ARRA, title IV-E agencies should **not** count the MWP tax credit as income in the month it is received or as a resource available to the family or child in that month as well as in the following two months for purposes of determining or re-determining a child's eligibility under the former AFDC program for title IV-E programs. See the Child Welfare Policy Manual, section 8.4A Q/A #18 for more information on determining a child's eligibility for the former AFDC program.

**EFFECTIVE
DATE:**

Upon issuance.

INQUIRIES:

Children's Bureau (CB) Regional Program Managers.

/s/
Bryan Samuels
Commissioner

Attachment A - CB Regional Offices

ATTACHMENT A – Regional Program Managers

Region I - Boston

Bob Cavanaugh

Bcavanaugh@acf.hhs.gov

JFK Federal Building Rm. 2000

Boston, MA 02203

(617) 565-1020 (p)

States

Connecticut, Maine, Massachusetts, New

Hampshire, Rhode Island, Vermont

Region II - New York City

Junius Scott

jscott@acf.hhs.gov

26 Federal Plaza Rm. 4114

New York, NY 10278

(212) 264-2890 (p)

States and Territories

New Jersey, New York, Puerto Rico, Virgin

Islands

Region III - Philadelphia

Lisa Pearson

lisa.pearson@acf.hhs.gov

150 S. Independence

Mall West—Suite 864

Philadelphia, PA 19106-3499

(215) 861-4000 (p)

States

Delaware, District of Columbia, Maryland,

Pennsylvania, Virginia, West Virginia

Region IV - Atlanta

Ruth Walker

rwalker@acf.hhs.gov

Atlanta Federal Center

61 Forsyth Street SW Suite 4M60

Atlanta, GA 30303

(404) 562-2900

States

Alabama, Mississippi, Florida, North Carolina,

Georgia, South Carolina, Kentucky, Tennessee

Region V - Chicago

Carolyn Wilson-Hurey

cwilson-hurey@acf.hhs.gov

233 N. Michigan Avenue

Suite 400

Chicago, IL 60601

(312) 353-4237

States

Illinois, Indiana, Michigan, Minnesota, Ohio,

Wisconsin

Region VI - Dallas

June Lloyd

jlloyd@acf.hhs.gov

1301 Young Street Room 945

Dallas, TX 75202

(214) 767-9648 (p)

States

Arkansas, Louisiana, New Mexico, Oklahoma,

Texas

Region VII - Kansas City

Rosalyn Wilson

rwilson@acf.hhs.gov

Federal Office Building

Room 276

601 E 12th Street

Kansas City, MO 64106

(816) 426-3981 (p)

States

Iowa, Kansas, Missouri, Nebraska

Region VIII - Denver

Marilyn Kennerson

mkenneron@acf.hhs.gov

Federal Office Building

1961 Stout Street 9th Floor

Denver, CO 80294-3538

(303) 844-3100(p)

States

Colorado, Montana, North Dakota, South

Dakota, Utah, Wyoming

Region IX - San Francisco

Sally Flanzer

sally.flanzer@acf.hhs.gov

50 United Nations Plaza Room 450

San Francisco, CA 94102

(415) 437-8400 (p)

States and Territories

Arizona, California, Hawaii, Nevada, Outer Pacific—American Samoa, Commonwealth of the Northern Marianas, Federated States of Micronesia (Chuuk, Pohnpei, Yap) Guam, Marshall Islands, Palau

Region X - Seattle

Carol Overbeck

Carol.overbeck@acf.hhs.gov

2201 Sixth Avenue Suite 300, MS-70

Seattle, WA 98121

(206) 615-2602

States

Alaska, Idaho, Oregon, Washington