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| <p style="text-align: center;">TAX BENEFIT INFORMATION SHEET 2012 TAX YEAR</p> |
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The following provides up-to-date information and resources to assist Region V Administration for Children and Families (ACF) grantees and partners in initiating or enhancing existing efforts to ensure available Federal and State tax benefits are accessible to low-income working families. To obtain additional information on many of the items listed below, please visit the IRS website (www.irs.gov) or contact your local IRS office at the IRS toll free number (1-800-829-1040) or your State revenue/taxation/treasury department.

- Enacted by Congress in 1975, the Federal Earned Income Credit (EIC) is a refundable tax credit that increases the income of low and moderate-income working families by providing tax reductions and cash supplements. As a Federally-funded anti-poverty initiative, the primary purpose of the EIC is to help employed low-wage earners achieve financial self-sufficiency by offsetting taxes, supplementing wages, and making work more attractive than welfare. A wage earner may qualify for a refund based on the credit even if he/she does not owe any tax or did not have a qualifying child. The maximum amount of income a worker can earn and still receive the EIC has increased for 2012. Families with one child who earned less than \$36,920 (or less than \$42,130 if married and filing jointly) in 2012 may be able to take a credit of up to \$3,169. A family may be able to take a credit of up to \$5,891 if it has three or more qualifying children and earned income of less than \$45,060 (50,270 if married filing jointly). Workers 25 to 64 years of age without a qualifying child who earned less than \$13,980 in 2012 (or less than \$19,190 if married and filing jointly) may be eligible for a credit of up to \$475. The EIC has been instrumental in closing the poverty gap for many of the nation's working poor. Despite the success of the program, research reveals that perhaps 25% of tax filers eligible for the credit fail to claim it. Refer to the IRS website for specific details on the EIC.
- The Federal Child Tax Credit (CTC) is a credit for taxpayers raising a qualifying child (ren). The family must earn more than \$3000 and it can be worth up to \$1000 per child. The CTC can be claimed on the taxpayer's 2012 Federal Tax return and claiming it does not reduce benefits that may be available to the family under the EIC. Even if the family has no taxes to pay, it may qualify for the Additional Child Tax Credit, which is a special, refundable credit for certain low-income tax filers who qualify for less than the full amount of the CTC. Refer to the IRS website for specific details on the CTC and the Additional CTC.

- Workers who have never filed or have not filed their returns in past years may file for up to the past three years. If applicable to their situation, they would still be eligible to receive EIC and CTC benefits for those previous years.
- A family may be able to claim the Child and Dependent Care Credit (CDCC) if the wage earner pays someone to care for a qualifying child dependent that is under age 13 or a spouse or dependent that is not able to care for himself or herself and who lived with the family for more than half of the year. The credit can be up to 35% of allowable care expenses. To claim the CDCC, the tax filer must have earned income during the year. In addition, the child care expenses must be work related, in that they are paid to permit the wage earner to work or look for work. Families earning too little to pay Federal income tax cannot use the CDCC.
- Five Region V States also allow qualified low-income citizens to claim a State Earned Income Credit (EIC): Illinois, Indiana, Michigan, Minnesota and Wisconsin have their own State EIC. Minnesota also provides qualified families a State Child and Dependent Care Credit. Ohio allows qualified citizens to claim a State Child and Dependent Care Credit.
- The not-for-profit Center for Economic Progress (CEP) provides services promoting access to the EITC and CTC. Annually, the CEP hosts a national training workshop on developing EIC partnerships and initiatives. The CEP is also instrumental in the development of training resources on the EIC and CTC for community agencies. The Center's website is located at: <http://www.centerforprogress.org>.
- The IRS sponsors a free Volunteer Income Tax Assistance (VITA) program to help low-income workers fill out their tax forms. This is a valuable service which allows low-income workers to save the cost of having their returns completed by a commercial tax preparer. Trained community volunteers can help with special credits, such as the EIC, CTC and others. Under the VITA program, groups with links to immigrant populations assist people who are non-English speaking or speak English as a second language. The VITA program can also offer financial literacy workshops designed to support asset-building techniques, such as bank accounts. For individuals who currently do not have basic financial management strategies, the program can explain the disadvantages of not using mainstream financial institutions and address barriers to this population's employment and common financial management practices. The VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping centers and other convenient locations. To locate the nearest VITA site, call the IRS toll free number (1-800-829-1040).

- Free IRS EIC information, promotional materials and other resources are available through the IRS website (www.irs.gov). The site contains specialized training packages, supplemental training materials on recent tax law changes and technical updates, IRS publications in English and Spanish, brochures and stuffers, individual flier notices, and tax forms. Instructional materials are specialized for specific populations, such as children, students, foreign students, and older populations, and include tips, best practices and directions on how to access a variety of other resources. In addition, separate resource packages are geared to individuals, tax preparers, employers, and IRS partners.
- Any refund received as a result of taking the EIC will not be used to determine an individual's eligibility for or benefit amount for Temporary Assistance for Needy Families (TANF), Medicaid, Supplemental Security Income (SSI), Food Stamps and low-income housing. But, if the refund received because of the EIC is not spent within a certain period of time, it may count as an asset (or resource) and affect continued eligibility.
- Many legal immigrants who are employed can get the EITC, as long as they meet eligibility requirements. Details on the eligibility requirements are available in the IRS literature and in the CBPP's EIC campaign kit.
- It is well worth the effort to attempt to involve the business community in EIC outreach. The EIC can supplement an employee's wages and promote a stable workforce. The EIC refunds help customers pay bills and bring Federal dollars into local economies. In addition, publicizing the EIC can increase a business' visibility in the community. Job training program sites and early childhood programs (e.g. Head Start and Child Care Centers) are also logical targets for EIC outreach. The CBPP's campaign kit provides many helpful ideas for involving businesses, job training providers, and early childhood programs in EIC outreach efforts.
- Staff members of partner agencies, or members of their families, may also be eligible for EIC and other tax credits. They should be included in efforts to promote these benefits.
- Consider promoting the use of Individual Development Accounts (IDAs), special "matched savings accounts" designed to reward low-income working families that save by providing funds to match their monthly deposits. Details on this important asset-building program can be found at the ACF website, www.acf.hhs.gov/assetbuilding/.
- The Native Financial Education Coalition (NFEC) publishes "Building Native Communities: A Tribal Leader's Guide to Launching an Earned Income Tax Credit (EITC) Campaign." To find out more about the guide and to order free copies, contact First Nations Oweesta Corporation, (605) 342-3770 or info@oweesta.org. To learn more about NFEC visit www.nfec.info.