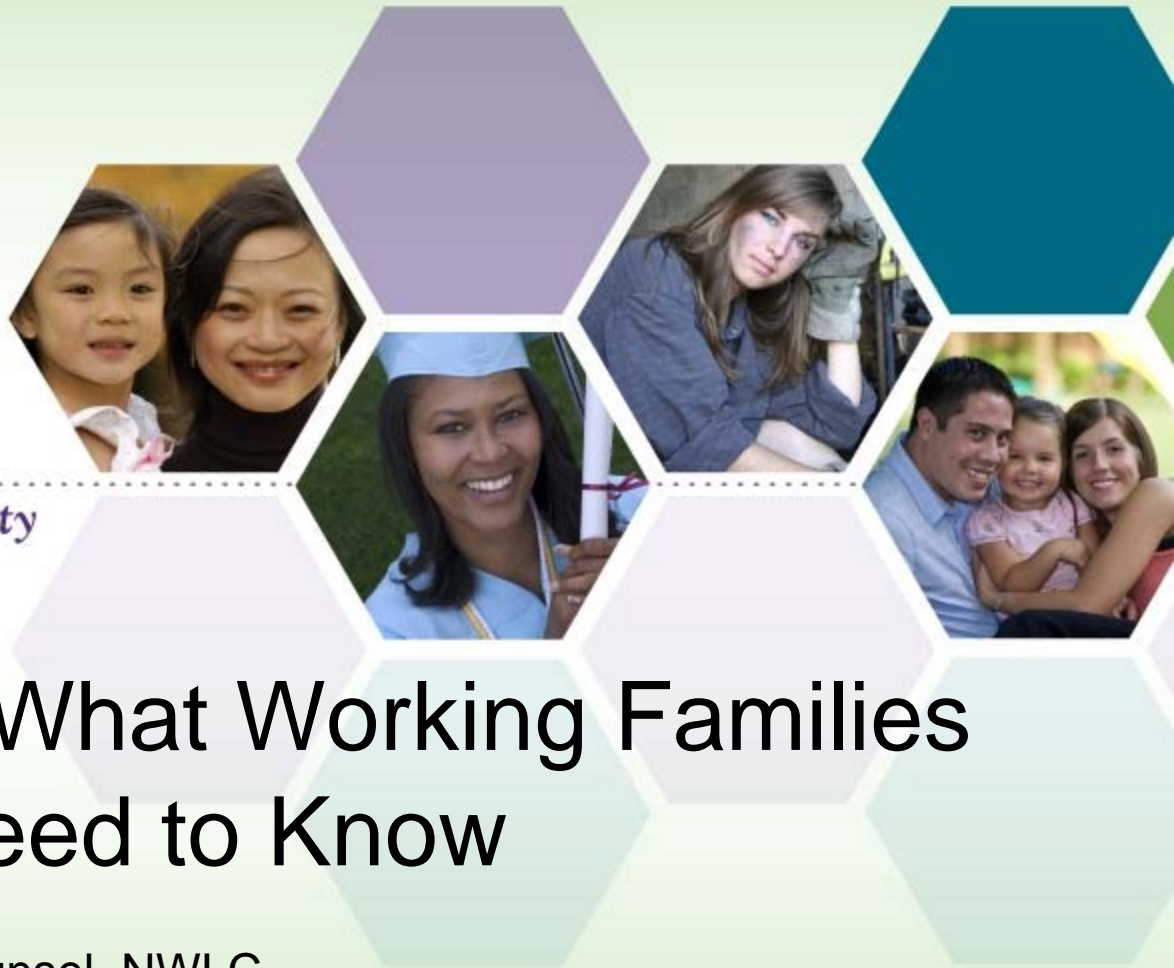


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Citi Education Series
on Family Economic Security



Tax Credits: What Working Families Need to Know

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Times are tough for millions of families with children.

- Close to one in three families with children are near poor (below \$42,206 for a family of 4; below \$33,060 if a family of 3).
- All families with children have seen their incomes shrink since 2000.



Many working families are struggling.

- More than **30 percent** of families with children with at least one worker have incomes less than twice the federal poverty line (\$33,060 - \$42,206, for 3 or 4 person family).
- **Toughest for single moms:** 2/3 are below 200% of poverty line; more than 38% are poor. Single moms' median income in 2007 = \$24,949.



How much help do low-income families get?

Not so much.

How many families with incomes below the minimum family budget have incomes *too high* to qualify for help?

	Child Care	Food Stamps	Housing Aid	Medicaid/SCHIP	TANF
DC	49.5%	71.7%	65.9%	37.0%	77.1%
Illinois	56.6%	70.0%	75.1%	39.1%	94.8%
NY	72.2%	72.8%	80.5%	55.8%	79.6%
NC	42.4%	67.2%	86.1%	58.2%	92.9%
TX	88.2%	56.5%	84.1%	65.3%	96.9%



How hard is it to make ends meet?

It's getting worse.

- Heating oil up 115% from 2005-2009; up 30% from '08 to '09.
- Natural gas up 38% from '05-'09; up 19% from '08 to '09.
- Cost of very modest market basket of food: up 10.5% from 8/07 to 8/08.
- Gasoline up 36% from 8/07 to 8/08.
- More than half of renters don't earn enough to afford average 2 br apt. (2006)



**Wouldn't it be great if families
could have more money for their
basic expenses?**





For eligible families, that is exactly what happens when they claim federal and state tax credits!

- The federal **Earned Income Tax Credit** can be worth up to **\$4,824** (in 2008).
- The federal **Child Tax Credit** can be worth up to **\$1,000** per child.
- The federal **Child and Dependent Care Tax Credit** can be worth up to **\$2,100**.
- Your state may offer its own version of an earned income tax credit, child tax credit or child care tax credit.



Let's take a closer look at the tax credits.

- How much help do tax credits give to families?
- How do they work?
- How do families get them?





How much help can tax credits give to families with children?

A LOT!

- In 2005, families received **over \$78 billion** in federal tax assistance from the Earned Income Tax Credit, the Child Tax Credit, and the Child and Dependent Care Tax Credit!



States also offer similar tax assistance to families.

In 2008:

- Twenty-three states offer EITCs;
- Twenty-eight states offer child care credits; and
- Two states offer child tax credits.



Together, state and federal tax credits can add up for families. . . .

- For example, in 2008, a working family with two children in paid child care in New York state could be eligible for:
 - Up to \$4,824 in federal EITC benefits and up to \$1,447 in state EITC benefits;
 - Up to \$1,000 per child in federal Child Tax Credit benefits and up to \$330 per child in state child tax credit benefits; and
 - Up to \$2,100 in federal Child and Dependent Care Tax credit benefits and up to \$2,310 in state CADC benefits.



So, these tax credits are valuable!



How do they work?



A tax credit can lower the taxes you owe or increase your refund.

- If the tax credit is **nonrefundable**, it will lower a family's tax bill, but not below zero.
- If the tax credit is **refundable**, families may be able to receive some of their tax credits as a refund, even if they don't owe taxes.



So, which are the refundable credits?

- The federal **Earned Income Tax Credit**;
- The federal **Child Tax Credit** (for even more families in 2008!); and
- Thirteen of the state child care credits and 20 of the state EITCs.

SADLY, the federal **Child and Dependent Care Tax Credit** is not refundable.



Earned Income Tax Credit

The federal **Earned Income Tax Credit** is a wage supplement for low- and moderate- income working families.





How much is the Earned Income Tax Credit worth?

- Up to **\$4,824** for a family with two or more children who earned less than \$38,646 (\$41,646 if married) in 2008.
- Up to **\$2,917** for a family with one child who earned less than \$33,995 (\$36,995 if married) in 2008.
- Up to **\$438** for a family without children who earned less than \$12,880 (\$15,880 if married) in 2008.



Two important things to remember about the Earned Income Tax Credit:

- If they use direct deposit, families can split their refunds – for example, putting a little money into a savings account and the rest into a checking account.
- Families can receive their **Earned Income Tax Credit** in advance as part of their paycheck.



The Child Tax Credit

- A family can claim **\$1,000** per child, no matter how many children they have.
- Example: Mike and Carol Brady have 6 children. They can claim a **\$6,000** Child Tax Credit.



More families are eligible for a Child Tax Credit refund in 2008!

- Congress reduced the amount that a family must earn in 2008 in order to receive part of their Child Tax Credit as a refund (from \$12,050 to **\$8,500**).
- Almost **3 million more children** will be eligible for the Child Tax Credit in 2008.

Unfortunately... in 2009 the income limit will increase once again.



The Child Tax Credit -- Refund

- If a family does not owe enough taxes to use all of its **Child Tax Credit**, it may be eligible for a refund.
- The family will receive either
 - 15% of their income above **\$8,500** or
 - the amount of the Child Tax Credit that exceeds their tax liability, whichever is less.



Example

- A parent earning \$12,000 with no tax liability will receive a refund of **\$525** from the Child Tax Credit.





The Child and Dependent Care Tax Credit

- The **Child and Dependent Care Tax Credit** can help families meet their child and dependent care expenses.
- Any kind of child care – in a center, in a family day care home, in a church, or a neighbor's or relative's house – qualifies.



How much is the Child and Dependent Care Tax Credit worth?

- Families can claim up to **\$6,000** in child care expenses for two or more children or dependents, or **\$3,000** for one child or dependent.
- Depending on their income, a family receives between **20 and 35%** of qualifying child and dependent care expenses.
- So the credit is worth a maximum of **\$2,100** for two children or dependents and **\$1,050** for one child or dependent.



One important thing to remember about the Child and Dependent Care Tax Credit:

- The care must be employment-related – that is, the adults in the family must use the child care so that they can work or look for work.





The cheat sheet:

The credit	To be eligible, a family needs	Age of qualifying children	Maximum credit value
EITC	Earned income, but not more than \$41,646 for married couple with 2 kids	Under 19, or under 24 if a full-time student	\$4,824
CTC	\$8,500 in earned income for refund	Under 17	\$1,000 per child
CDCTC	Work-related child care expenses	Under 13	\$2,100



Will refunds from these credits affect a family's eligibility for other benefits?

- Normally, no!
- The amount of a refund from the Child Tax Credit or the Earned Income Tax Credit cannot be used to determine eligibility for, or amount of, Medicaid, Supplemental Security Income, Food Stamps, or low-income housing.
- A Child Tax Credit refund cannot be used to determine eligibility for, or amount of, TANF benefits.



But.....

- States can develop their own rules on whether an Earned Income Tax Credit refund can be used to determine eligibility for and amount of TANF benefits.



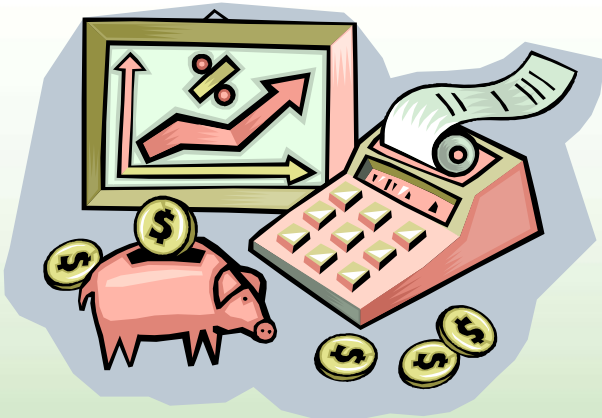
These credits are great! How do families get them?

- To claim these three credits, a family must file the IRS form 1040 or 1040A, but **not** the 1040 EZ.
- Families must also file a separate form for each tax credit.



Now that you know about tax credits. . . .

You can help families put money back in their pockets.





You can take four easy steps to help families claim tax credits.

- **Get the facts.** Visit NWLC's website (www.nwlc.org/loweryourtaxes) and download the Tax Credit Outreach Campaign Toolkit, fliers on tax credits and free tax preparation assistance, and other materials in English, Spanish, and some additional languages. You can also call the IRS at **(800) 829-1040**.
- **Partner up to expand your reach.** Work with EITC coalitions (call **(202) 408-1080**), other advocacy or service organizations in your community, local businesses and state agencies, to get the word out to families with children.
- **Spread the word to families with children.** Distribute materials in the community and at parent meetings, put information on tax credits in your newsletters, put a link to NWLC's webpage, www.nwlc.org/loweryourtaxes, on your website, and provide information on tax credits and free tax preparation assistance over the phone.
- **Work with the media.** Talk to reporters, write letters to the editor, use Public Service Announcements, or organize a press event to get the word out.



For more information. . . .

- On the needs of low-income families, visit the Coalition on Human Needs at www.chn.org.
- On tax credits and tax credits outreach, visit www.nwlc.org/loweryourtaxes.



Learn more about sharing information on tax credits and free tax preparation services with families!

- On October 23, we'll be offering another free webinar that will focus on tips and tools for tax credits outreach.
- To register, visit http://action.nwlc.org/site/Survey?SURVEY_ID=4060&ACTION_REQUIRED=URI_ACTION_USER_REQUESTS.