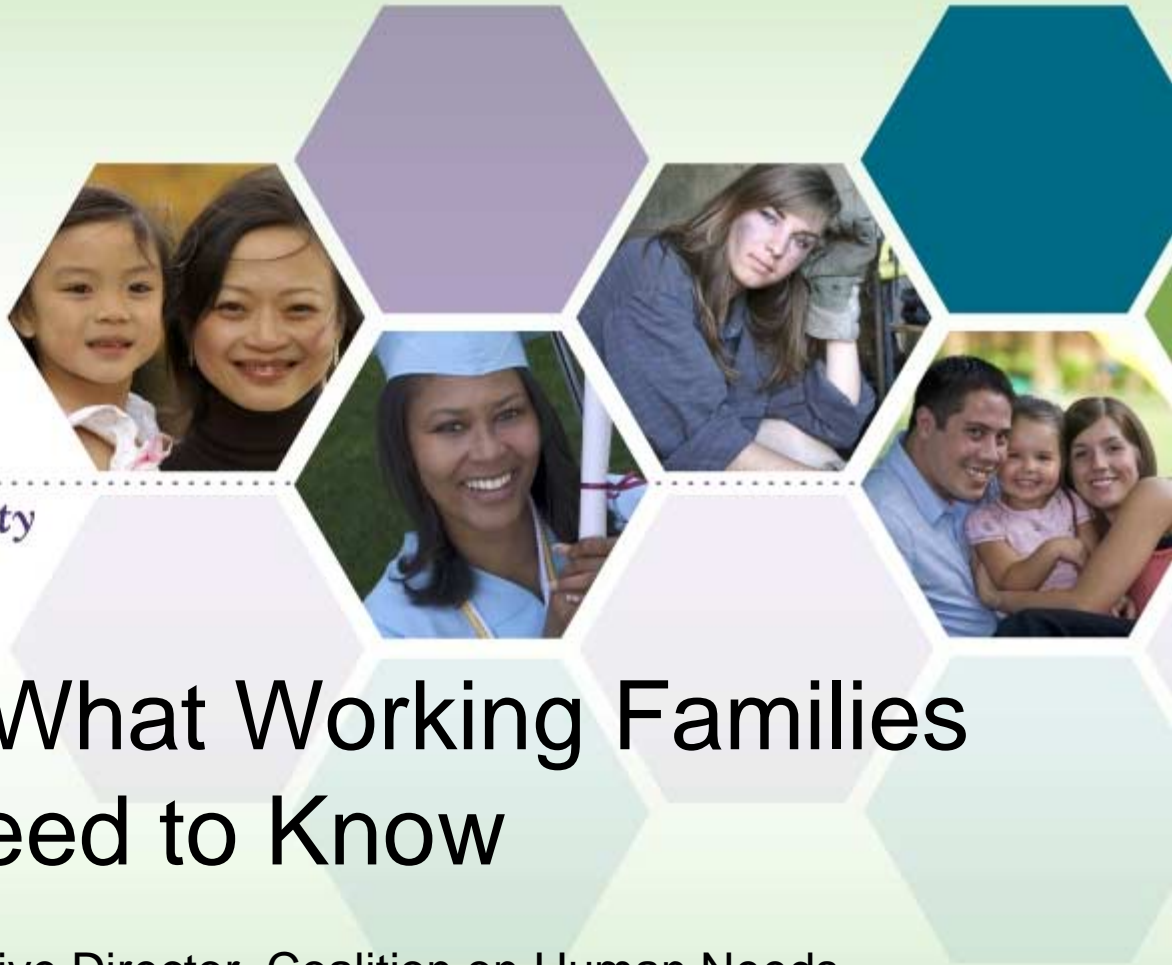


October 24, 2007



Citi Education Series  
*on Family Economic Security*



# Tax Credits: What Working Families Need to Know

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Joan Entmacher, Vice President for Family Economic Security, NWLC

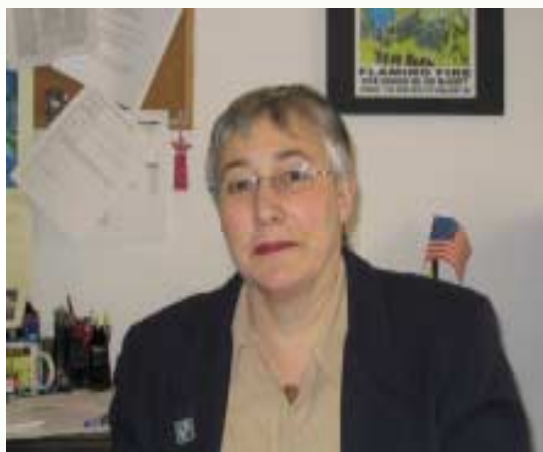
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# Speakers for this Session



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# Times are tough for millions of families with children.

- Close to one in four families with children are near poor (below about \$26,000 for a family of 4; below about \$20,100 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 (\$32,000 - \$41,000, for 3 or 4 person family).
- **Toughest for single moms:** Median income in 2005: \$23,131, down from \$24,842 in 2000, in 2005 dollars.



# 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?

The cost of necessities – housing, food, child care, transportation, health care, etc. – varies from place to place, but many families with children can't afford them.

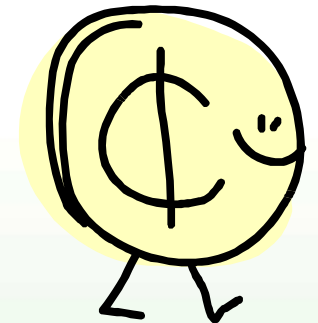
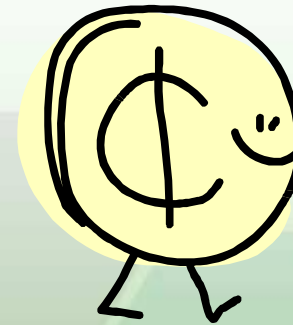
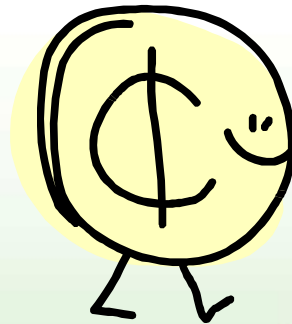
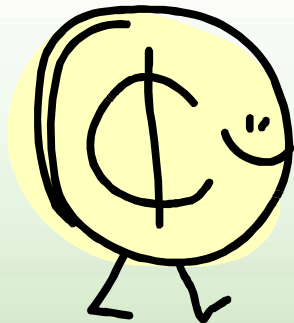
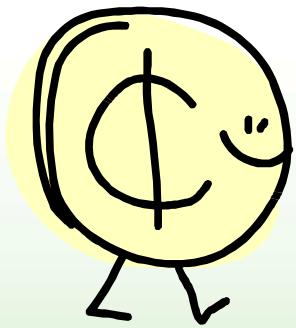
### **Family Budgets, 1 parent, 2 kids:**

Washington, DC:	\$56,890
Chicago:	\$38,628
Des Moines:	\$35,841
Boston:	\$58,322
Rochester, NY:	\$42,322
Houston, TX:	\$33,579
Cleveland, OH:	\$41,042

*Source: Bridging the Gap, Ctr. For  
Economic and Policy Research,  
Center for Social Policy, 2007*



**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 \$4,716 (in 2007).**
- **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.

- Twenty 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, a working family with two children in paid child care in New York state could be eligible for:
  - Up to \$4,716 in federal EITC benefits and up to \$1,415 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 counts against the taxes a family owes.

- If the tax credit is **nonrefundable**, it will lower a family's tax bill or increase the refund they get from other credits.
- If the tax credit is **refundable**, families may be able to receive some of their tax credits as a refund.



## So, which are the refundable credits?

- The federal **Earned Income Tax Credit**;
- The federal **Child Tax Credit** (for some families); and
- Thirteen of the state child care credits and 17 of the state EITCs.
- SADLY, the federal Child and Dependent Care Tax Credit is not refundable.



# Earned Income Tax Credit

The **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 **\$4,716** for a family with two or more children who earned less than \$37,783 (\$39,783 if married) in 2007.
- Up to **\$2,853** for a family with one child who earned less than \$33,241 (\$35,241 if married) in 2007.
- Up to **\$428** for a family without children who earned less than \$12,590 (\$14,590 if married) in 2007.



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

- Families can split their refunds into different accounts.
- 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.



# 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.
- If Mike and Carol Brady owe less than \$6000 in taxes, they may be eligible for a refund.



## Calculating the Child Tax Credit refund

- In order to receive part of their Child Tax Credit as a refund, a family must earn at least \$11,750 (in 2007).
- A special formula is used to determine how much of the credit the family will receive as a refund.



# 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 a percentage of qualifying child and dependent care expenses, for 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:

<b>The credit</b>	<b>To be eligible, a family needs</b>	<b>Age of qualifying children</b>	<b>Maximum credit value</b>
<b>EITC</b>	Earned income, but not more than \$39,783 for married couple with 2 kids	Under 19, or under 24 if a full-time student	\$4,716
<b>CTC</b>	\$11,750 in earned income for refund	Under 17	\$1,000 per child
<b>CDCTC</b>	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.



## Get the facts.

- For more information about tax credits and where to find free tax preparation assistance, visit [www.irs.gov](http://www.irs.gov).
- The National Women's Law Center and other organizations provide materials on tax credits and how to find free tax preparation assistance that you can distribute.
  - The National Women's Law Center's Tax Credits Outreach Campaign website at [www.nwlc.org/loweryourtaxes](http://www.nwlc.org/loweryourtaxes).
  - The Center on Budget and Policy Priorities' Earned Income Tax Credit outreach kit at [www.cbpp.org/eic2007](http://www.cbpp.org/eic2007).

**Citi Education Series**  
*on Family Economic Security*



**YOU'VE BEEN WORKING HARD—  
GET THE CREDIT YOU DESERVE.**

*Families in New York:  
You could get up to thousands of  
dollars in tax credits.*

Whether or not you owe income tax, if you  
work and have children you could qualify for:



Up to **\$2,100** from the federal Child and Dependent Care Tax Credit and up to **\$2,310** from the New York State Child and Dependent Care Tax Credit and up to **\$1,733** from the New York City Child Care Tax Credit;



Up to **\$4,716** from the federal Earned Income Tax Credit and up to **\$1,415** from the New York Earned Income Tax Credit; and



Up to **\$1,000** per child from the federal Child Tax Credit and up to **\$330** per child from the Empire State Child Tax Credit.

*To get these credits, you must file a tax return.*

Find out where you can get FREE help with your taxes by calling the IRS toll-free at (800) TAX-1040 or (800) 829-1040, or by calling AARP Tax-Aide toll-free at (888) AARP-NCW or (888) 227-7669. Or go to [www.irs.gov/individuals/topic](http://www.irs.gov/individuals/topic). You can also contact the New York State Department of Taxation and Finance toll-free at (800) 225-5829. New York City residents call 311.



## Spread the word:

- Share the materials with your partner organizations, including state agencies, coalitions focusing on children or family needs, or businesses.



# Make the information available to families you serve.

- Distribute tax credit materials at your offices, at parent meetings, and in mailings.
- Put tax credit information in your newsletters and on your website.
- Train your staff to provide information on tax credits and where to find free tax preparation assistance over the phone.



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

- On October 30, the second in our series of free webinars will focus on tips and tools for tax credits outreach.
- On November 13, the third webinar in the series will focus on helping families find free tax preparation help so that they can get the credit they deserve!
- To register for these webinars, visit <http://action.nwlc.org/webinar>.



## For more information. . . .

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