



# **TY 2011**

## **EITC TOOLKIT**

### **FOR NONPROFITS**

### **AND GOVERNMENT**

The EITC Guide is brought to you by Claim It!, a community-wide partnership operating to increase awareness and use of the Earned Income Tax Credit (EITC), Working Family Credit (WFC) and free tax preparation for working Minnesotans with limited resources.

Claim It! partners include AARP Tax-Aide Foundation, AccountAbility Minnesota, Children's Defense Fund Minnesota, City of Minneapolis, City of Saint Paul, Federal Reserve Bank of Minneapolis, Greater Twin Cities United Way, Hennepin County, Internal Revenue Service, Mid-Minnesota Legal Assistance, Minnesota Community Action Partnership, Minnesota Dept. of Human Services, Minnesota Department of Revenue, Ramsey County, University of Minnesota Law School, University of Minnesota Extension

This comprehensive guide serves as a tool for you to educate your employees and program participants about tax credits and federal benefits they may have earned.

## Promoting Tax Credits and Benefits

**It is important to promote tax credits and benefits to program participants and employees for several reasons:**

- Builds trust with people by making them aware of resources they may have earned.
- Gives people the ability to supplement their incomes.

The U.S. Census Bureau reports that more Americans are living in poverty today than at any time since 1960. Some 41 percent of children under age 18 are living in low-income families. Your employees and their families may be eligible for benefits that can help increase their income.

**Some of your program participants and employees may be eligible to receive the following credit(s)/benefits\*:**

### **Taxes**

- Child Tax Credit (CTC) – A non refundable credit worth up to \$1,000 for each child under the age of 17.
- Earned Income Tax Credit (EITC) - The Earned Income Tax Credit or the EITC is a refundable federal income tax credit for low to moderate income working individuals and families. Eligible filers can receive up to \$5,657.
- Free Tax Preparation- Free electronic tax preparation assistance is available at Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) centers. This can save up to \$300 for an individual/family.
- Working Family Credit (WFC) – If you qualify for the federal EITC, you also qualify for the WFC.

## Promoting Tax Credits and Benefits

**Some of your program participants and employees may be eligible to receive the following credit(s)/benefits\* (con't):**

### **Food**

- Food Support - Helps people with lower incomes pay for nutritious food, which helps kids to grow up strong and helps adults to stay healthy.
- School Meal Program - The School Meal Program pays for all or part of the cost of meals for children at school (kindergarten through 12th grade).
- SNAP/Food Stamps – Helps low-income individuals and families buy food they need.
- Women, Infants and Children Program (WIC) - WIC is a nutrition program that helps eligible pregnant women, new mothers, babies and young children eat well, learn about nutrition, and stay healthy.

### **Health Coverage**

- MinnesotaCare – Health insurance program for low income individuals/families who cannot afford insurance.
- Medical Assistance (MA) - Health insurance program for some Minnesotans with lower incomes (Minnesota's Medicaid).
- State Children's Health Insurance (SCHIP) – Extended health insurance coverage for millions of children who otherwise would not have access to health care.
- General Assistance Medical Care (GAMC) - GAMC is a health insurance program for some Minnesotans with very low incomes (for adults who are not raising children).

### **Miscellaneous**

- Child Care Assistance Program (CCAP) – CCAP helps working parents who have lower incomes pay for child care.
- Low Income Home Energy Assistance Program (LIHEAP) – LIHEAP helps low-income individuals with energy assistance.

## Eligibility Requirements

### WHO IS ELIGIBLE?

**People who meet the following criteria are eligible to receive EITC for tax year 2011:**

- Earned income and adjusted gross income (AGI) must each be less than:
  - \$43,352 (\$48,362 married filing jointly) with three or more qualifying children
  - \$40,363 (\$45,373 married filing jointly) with two qualifying children
  - \$35,535 (\$40,545 married filing jointly) with one qualifying child
  - \$13,460 (\$18,470 married filing jointly) with no qualifying children
- Investment income must be \$3,150 or less for the year
- If married, couples must file jointly.
- Must have a valid Social Security number.
- All qualifying children must have a valid Social Security number.
- Cannot file Form 2555 (Foreign Income Exclusion) or 2555-EZ.
- Must be a U.S. citizen or resident alien for the entire year.
- If he or she does not have a qualifying child, he or she must:
  - Be at least age 25,
  - Live in the United States for more than half the year, and
  - Not qualify as a dependent of another person.

**In addition to the EITC, the Child Tax Credit is for employees who have a qualifying child. A qualifying child must be all of the following:**

- Claimed as a dependent on tax filing forms
- At the end of the tax filing year, child must be younger than the worker **and**
  - under age 19, or
  - under age 24 and a full-time student, or
  - any age if permanently and totally disabled
- Must be the employee's
  - Son, daughter, adopted child, stepchild, or a descendent of any of them
  - Brother, sister, stepbrother/sister, or a descendent of any of them (i.e., niece or nephew), that the employee has cared for as their own child; or foster child
  - A U.S. citizen or resident alien

## Talking to Program Participants and Employees

### How to Talk to Your Program Participants and Employees About Tax Credits and Federal Benefits

Tax credits and benefits can be shared during existing meetings (i.e.: staff meetings, new employee orientations, case management meetings). Utilize Claim It! Flyers to pass out information for people to take home.

### Your Program Participants and Employees Could Be Eligible For Other Work Supports

Direct people to the quick and easy to use online Eligibility Screening Tool offered through Bridge to Benefits, a multi-state project by Children's Defense Fund Minnesota. **To see if they or someone else may be eligible for public work support programs, go to [www.cdf-mn.org](http://www.cdf-mn.org) and go to "Bridge to Benefits."**

## AVOIDING PREDATORY PRACTICES

### Help People Receive Their Entire Refund

When people pay a tax-preparation company to get their refunds instantly, they end up paying for high-interest, short-term loans (up to 300 percent when annualized) with finance charges and preparation fees.

- Some check cashers and tax preparers offer high-interest holiday loans in anticipation of the EITC refund.
- Some tax preparers offer tax refund debit cards. Not all debit cards are created equal; some charge costly transaction fees that can significantly reduce tax refunds.

**Your employees and program participants can avoid up to \$500 in fees and finance charges** by using a Volunteer Income Tax Assistance (VITA) or AARP Tax-Aide center and waiting just a few days longer for their returns.

Services are provided by IRS certified preparers at NO CHARGE to your employees or program participants. Plus some VITA center sites offer Express Refund Loans, screen for federal benefits and assist people in opening a bank account. For more information on these additional services, go to [www.accountabilitymn.org](http://www.accountabilitymn.org).

Encourage people to go to a VITA or AARP Tax-Aide site. To find a location, they can call United Way 2-1-1. Employees can dial **2-1-1**, or from a cell phone dial 651-291-0211 (1-800-543-7709 outside the metro area) or go to [www.taxes.state.mn.us](http://www.taxes.state.mn.us) (search for "Free Tax Prep").

## WHAT YOU CAN DO THROUGHOUT THE YEAR

### DECEMBER/JANUARY

- Order Claim It! materials  
Go to <http://unitedfrontmn.org/blog/2011/12/06/claim-it-2012/> or contact Andrea Ferstan at 612-340-7483, [ferstana@unitedwaytwincities.org](mailto:ferstana@unitedwaytwincities.org).
- Begin educating program participants and employees about Tax Credits and Benefits through staff meetings, posted materials, flyers, and online trainings. An online staff training will be available after January 19, 2012 on [www.helpmnsave.org](http://www.helpmnsave.org). To view the Claim It! You Tube video follow this link <http://www.youtube.com/watch?v=sbwfMGOSTJg>.
- Include tax credits and benefits education materials in paychecks and when distributing W-2 forms to employees.
- Publish an article about tax credits and free tax preparation in your newsletter.

- Insert Claim it! information in staff paychecks

## **MARCH**

- Make your final informative push before tax deadlines
- Sign up new Advance EITC filers.

## **ONGOING**

- Include information about tax credits and federal benefits in all new employee orientation packets.
- Distribute W-5 forms to interested employees and remain available for employee questions.
- Talk to your employees and program participants about tax credits and benefits during existing meetings.
- Include Claim It! and benefits information in your employee orientation packets.
- Direct program participants and employees to the quick and easy to use online Eligibility Screening Tool offered through Bridge to Benefits, a multi-state project by Children's Defense Fund Minnesota. **To see if they or someone else may be eligible for public work support programs, go to [www.cdf-mn.org](http://www.cdf-mn.org).**

# **RESOURCES**

## **Free Tax Preparation Locations**

**United Way 2-1-1.**

**Dial 2-1-1, or from a cell phone dial 651-291-0211  
(1-800-543-7709 outside the metro area) or go to  
[www.taxes.state.mn.us](http://www.taxes.state.mn.us) (search for "Free Tax Prep")**

## **Claim it! Materials available at:**

**<http://unitedfrontmn.org/blog/2011/12/06/claim-it-2012/>**

## **IRS WEBSITE**

**[www.irs.gov](http://www.irs.gov)**

## **ELIGIBILITY FOR GOVERNMENT PROGRAMS**

**[www2.bridgetobenefits.org](http://www2.bridgetobenefits.org)**

## **MINNESOTA DEPARTMENT OF REVENUE**

**[www.taxes.state.mn.us](http://www.taxes.state.mn.us)**

## **ACCOUNTABILITY MINNESOTA**

**[www.accountabilitymn.org](http://www.accountabilitymn.org)**

## **AARP BENEFITS QUICKLINK**

**[www.aarp.org/quicklink](http://www.aarp.org/quicklink)**