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THE EARNED INCOME CREDIT: MAKING WORK PAY

The Earned Income Credit (EIC) is a special tax benefit for working people who earn low or moderate incomes. The EIC reduces the tax burden on these workers, supplements their wages, and supports a transition from welfare to work. Workers who qualify for the EIC can get back some or all of the federal income tax taken out of their pay during the year and even get some additional cash. Workers whose earnings are too small to have paid taxes can still get the EIC. Benefits can be as large as \$3,815, but only about 80 percent of those eligible actually claim the credit.

It is vitally important that you make an immediate effort to let others know about the EIC.

Who can get the EIC?

Single or married people who worked full- or part-time during 1999 can qualify, depending on their income.

- Workers who were raising one child and had family income of less than \$26,928 can get an EIC of up to \$2,312.
- Workers who were raising more than one child and had family income of less than \$30,580 can get an EIC of up to \$3,815.
- Workers who were not raising children but were between ages 25 and 64 on Dec. 31, 1999 and had income below \$10,200 can get an EIC of up to \$347.

Many legal immigrants who are employed can get the EIC. In order to claim the EIC, immigrant workers, their spouses, and children must have valid Social Security numbers that permit them to work legally in the U.S.

How do you get the EIC?

Workers raising children must file either Form 1040 or 1040A (not Form 1040EZ) and must fill out and attach Schedule EIC. Workers who were not raising children can file any tax form, including 1040EZ.

Workers don't have to calculate their own EIC; if they choose, the IRS will do it for them. Workers who are raising children can get part of their EIC in their paychecks throughout the year and the rest in a check from the IRS after they file their tax return.

Many workers who are eligible for the EIC don't feel comfortable filling out their tax forms themselves. But paying for commercial tax preparation takes money away from the worker's EIC. In many places there is another choice: trained volunteers who offer help filing federal income tax returns through the VITA (Volunteer Income Tax Assistance) program. VITA sites are located in churches, libraries, shopping malls, and other public places, and are open from early February through April 17 (this year's tax filing deadline). Some sites are equipped to file forms electronically, which speeds refunds.

A statewide list of this year's VITA locations is not yet available. Regional IRS offices may have local information: Houston (281-721-7070); Dallas (214-767-1428); Austin (512-499-5439).

Does the EIC affect welfare benefits?

In most cases, the EIC does not affect eligibility for benefits like TANF, Medicaid, Food Stamps, SSI, or public or subsidized housing. People who work and also get public assistance can still get EIC.

Who is least likely to know that they are eligible?

Workers who may not be aware of their eligibility for EIC, and therefore should be special targets for outreach, include:

- workers who earn below the federal tax filing threshold and are generally not required to file a tax return—this includes workers who are eligible for the maximum EIC amount.

- lower-wage workers who are new parents may not be aware that they are eligible for the EIC, particularly if they have no income tax liability.
- public assistance recipients transitioning into employment; many such recipients may not previously have been employed or did not work after having a child and are unaware of tax benefits to which they may be entitled.
- foster care parents who care for a child the entire year may be unable to claim the child as a dependent due to foster care payments, but can claim the EIC.
- low-wage workers without children who may work intermittently, including homeless individuals.
- legal immigrant workers who are unfamiliar with the tax system, may have language barriers and may not have access to tax preparation assistance. Some immigrant workers may also not understand the EIC does not make them subject to “public charge” problems and that they may be eligible for the EIC even if their immigration status makes them ineligible for other public benefit programs.

Most current EIC recipients tend to be in the upper-income range of eligibility, since they are most likely to have had income tax withholding during the year, so are more likely to file tax returns than are very low-wage and new or intermittent workers.

What are state agencies doing?

Agencies are still developing plans. The following includes proposals awaiting final approval.

The Department of Human Services will be sending “stuffers” in English and Spanish about the EIC to all family Medicaid recipients in Texas during February. All-employee notices about the stuffers have been sent and the DHS web site will be updated to provide information to the public and staff along with links to the IRS, Comptroller, Center on Budget and Policy Priorities, and other resources. If available

from the IRS, posters and VITA site lists may be provided to all local offices statewide. DHS reports that many staff are also expected to participate in local campaigns, which are encouraged year-round via the agency website and publications, such as a quarterly newsletter on Charitable Choice.

The Texas Workforce Commission is providing each Local Workforce Development Board (LWDB) with a copy of the Center on Budget and Policy Priorities’ outreach kit. Workforce boards have been instructed to ensure that Texas Workforce Centers are assisting employed TANF recipients and other low-income workers who may qualify for EIC. Boards may provide space within Workforce Centers to establish VITA sites.

The Comptroller’s office is planning on developing a series of web pages with EIC information, which will be linked to its Window on State Government, <http://www.window.state.tx.us>. The list of VITA sites should be posted there as soon as received from the IRS. All Comptroller enforcement offices are scheduled to have relevant IRS forms and brochures.

Where can I get more information?

Center on Budget and Policy Priorities: Its EIC 2000 outreach kit may be ordered from eickit@cbpp.org; 202-408-1080; 202-408-1056 (fax)

IRS: For information about the EIC Campaign, contact Jackie Rollins at IRS in Austin, 512-499-5080; Jackie.Rollins@ml.irs.gov; For information about VITA sites, contact 512-499-5969 or 512-499-5439. Other information may be available from the IRS Houston office (281-721-7070); Dallas office (214-767-1428); or Austin office (512-499-5439)

DHS: New information will be posted at <http://www.dhs.state.tx.us/programs/eic/> Sharon Zambrzycki, shazam@dhs.state.tx.us, 512-438-4037