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Governor

NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
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ALBANY, NY 12243-0001

Robert Doar
Commissioner

Informational Letter

Section 1

Transmittal:	06-INF-01
To:	Local District Commissioners
Issuing Division/Office:	Employment and Transitional Supports
Date:	January 4, 2006
Subject:	Earned Income Tax Credit (EITC) and Other Tax Credits
Suggested Distribution:	Temporary Assistance Directors Food Stamp Directors Employment Coordinators TOP Coordinators
Contact Person(s):	Mark Schaffer 518-474-9346; Mark.Schaffer@otda.state.ny.us
Attachments:	Attachment I – EIC All Purpose Flyer (English and Spanish) Attachment II – EIC Envelope Stuffer Attachment III – EIC Federal Benefits Chart
Attachment Available On – Line:	X

Filing References

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
	04 INF-01 05 LCM-02				00 LCM-17

Section 2

I. Purpose

The purpose of this letter is to inform local districts of the changes in the Earned Income Tax Credit (EITC) and the availability of other tax credits for this year. In addition, we are requesting that local district staff reach out to their clients and other low-income households to encourage them to file for these various tax credit benefits. Attached are EITC outreach materials that you may provide to these households and to community agencies. Attachment III is the Tax Year 2005 federal benefit chart.

II. Background

The EITC continues to be a very important tax benefit that is available to employed low-income households. As in previous years, neither the New York State EITC nor the federal EITC will count as income or resources for temporary assistance. Federal and State EITCs continue to be excluded as food stamp income.

The credits are an important anti-poverty tool that can dramatically increase family income as family members move into the workforce. Workers who qualify for the EITCs and file federal and State tax returns can receive benefits totaling more than \$5000. In addition, households who qualified in the past three years, and never claimed EITCs to which they were entitled, may file retroactively for these benefits.

Over 1.4 million New York households claimed over \$2.5 billion in federal EITC benefits for Tax Year 2004. The amount of the State EITC is not yet available, but is estimated that nearly 1.2 million eligible taxpayers claimed over \$700 million. For Tax Year 2004, the average combined federal/State EITC credit claimed was \$2300. However, the IRS has estimated that approximately 26% of households eligible for the credit do not claim it and that is why outreach and promotion of the credit is so important.

While our goal is to reach as many eligible taxpayers as possible, particular target populations should include:

- Those leaving welfare for work who have had little or no previous labor force experience and may not be familiar with the EITC and other available tax benefits;
- Non-Parent working relative caregivers who are raising EITC eligible children in their home; and
- Legal immigrant households who may mistakenly believe they are ineligible for the EITC.

The EITCs can significantly increase the available income of low-income wage earners. For example, for a family with two children and one wage earner holding a full-time minimum wage

job, the State and federal EITCs can add over one-third to that person's earnings. Therefore, it is important that district staff discusses the EITCs and encourage households to file for them. In particular, households that are facing financial problems such as rent or utility arrears should be encouraged to file for the credits to help increase their income.

III. Program Implications

EARNED INCOME TAX CREDIT

The maximum credits have increased as follows:

- two or more children \$4400 (federal) + \$1320 (State) = \$5720
- one child \$2662 (federal) + \$ 798 (State) = \$3460
- no children \$ 399 (federal) + \$ 119 (State) = \$ 518

The qualifying income limits for the EITCs have increased as follows:

- two or more qualifying children \$35,263 (or \$37,263 if married)
- one qualifying child \$31,030 (or \$33,030 if married)
- no qualifying children \$11,750 (or \$13,750 if married)

EITC AND CHILD-ONLY CASES

Child-only cases are a significant proportion of nearly every district's caseload. In many of these households where the payee is a grandparent or other relative, that payee is self-sufficient and also has earned income. It is important to note that the children in these cases usually meet the definition of "qualifying child(ren)" for EITC. We strongly suggest that in those child-only cases where the payee has earned income that an effort be made to make these payees aware of their potential eligibility for the EITCs.

CHILD TAX CREDIT

The Child Tax Credit, worth up to \$1000 for each qualifying child, is a non-refundable credit used to reduce the amount of tax owed. However, if the child tax credit exceeds the amount of tax owed, the taxpayer may claim the difference as an Additional Child Tax Credit, which is a refundable credit and may be claimed by filing Form 8812: Additional Child Tax Credit with federal taxes.

EDUCATION CREDITS

There are two education credits that may be claimed by each eligible student by completing federal form Form 8863: Education Credits (Hope and Lifetime Learning Credits).

Hope Credit: This credit applies to the first two taxable years of postsecondary education. \$1500 is the maximum credit per student that may be claimed.

Lifetime Learning Credit: This credit is based upon the total of qualified education expenses. The maximum credit is \$1000 per year.

ADVANCE EITC

Low-income wage earners with qualifying children may, at their option, receive a part of their federal EITC in every paycheck and the rest of their credit after they file their income tax, instead of receiving one large check from the IRS. This is called the “advance EITC payment.” For many workers, getting part of the EITC in every paycheck can make a difference in paying rent, buying groceries or meeting other day-to-day needs. For example, a worker making between \$490 and \$1300 per month can get about \$50 to \$60 extra in each bi-weekly paycheck and still receive a lump sum, albeit smaller, EITC payment after they file taxes. This is particularly important for people entering the workforce at low wages. Employers also benefit because it can increase the take home pay of their employees at no cost to the business. Workers can get the advance payment by completing FORM W-5: Earned Income Credit Advance Payment Certificate and submitting it to their employer. The W-5 can be completed at any time during the year, but a new W-5 must be filed by the worker at the beginning of each year to continue receiving the EITC in their paychecks. There is no advance payment option for the State EITC.

VOLUNTEER INCOME TAX ASSISTANCE (VITA) AND TAXPAYER ASSISTANCE

Individuals may obtain specific federal tax information by calling the IRS toll-free at 1-800-829-1040. State taxpayer assistance information is available toll-free by calling 1-800-225-5829.

Many workers, especially those who are new to the workforce, are reluctant to complete tax forms on their own because they are intimidated or unfamiliar with the process. Such workers often seek help from commercial tax preparers and pay a fee for this service. Paying a tax preparer reduces the value of the credit for families most in need of it. In addition, an additional fee is charged for a refund anticipation loan, also known as a “rapid refund”. But, individuals can receive tax information or have their tax forms filled out for free by visiting their local VITA center. Most sites will also provide e-filing services at no charge and, if used, the taxpayer can receive their refund and/or credits within 10 business days. From mid-January through April 15, VITA volunteers will be at sites in every county throughout the state.

Twenty-four (24) social services districts are hosting VITA sites this coming tax season. For those districts not hosting a tax preparation site, a statewide listing of VITA locations is available electronically on the OTDA website. Locations of VITA offices will also be publicized in the media or can be obtained by calling the toll-free IRS telephone number. We strongly urge local districts to know where the VITA sites are located in their districts and provide this information when encouraging families to apply for the EITCs.

IV. Forms Information

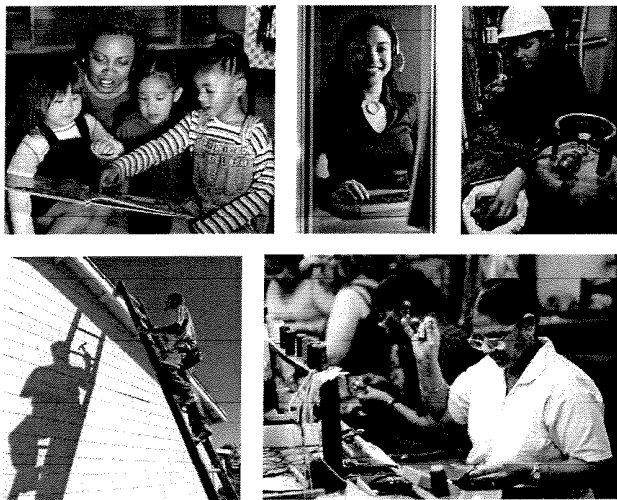
A revised EITC brochure, PUB# 4786: The Earned Tax Credit, may be requested on Form OTDA-876: “Request for Forms or Publications”.

Issued By _____

Name: **Russell Sykes**
Title: **Deputy Commissioner**
Division/Office: **Division of Employment and Transitional Supports**

Make Tax Time Pay —for You!

There are Tax Benefits for People Who Work:
Earned Income Credit
and Child Tax Credit



For information about how you can get these tax credits and free help filing your taxes, call the IRS at 1-800-829-1040.

Claim Your Earned Income Credit

Get more from your regular paycheck! The Earned Income Credit (EIC) is a special tax benefit for people who work full- or part-time. If you qualify, you'll owe less in taxes and you may get cash back. Even if you don't owe income tax you can get the credit. But, you must file a federal tax return.

Who can get the Earned Income Credit?

- Workers who were raising children in their homes and who earned less than \$35,263* in 2005 can receive an EIC up to \$4,400. (Workers raising one child who earned less than \$31,030* can receive an EIC up to \$2,662.) File Form 1040 or 1040A, and attach Schedule EIC.
- Workers between ages 25 and 64, who were not raising children in their homes, and who earned less than \$11,750* in 2005 can receive an EIC up to \$399. File any tax form.

The EIC Advance Payment option allows some workers who are raising children to get part of their EIC in their paychecks throughout the year and part in a check from the IRS after they file their tax return. A worker can get up to \$60 *extra in each bi-weekly paycheck*. To get EIC Advance Payments, eligible workers give a Form W-5 to their employer. You can get the W-5 from your employer, or by calling the IRS at 1-800-TAX-FORM.

Tax time can pay you even more — claim your CTC refund! Many families who earned more than \$11,000 and were raising children in their homes may qualify for the Child Tax Credit (CTC) refund worth up to \$1,000 for each qualifying child under age 17. See the instructions for Form 1040 or 1040A and attach Form 8812. *Note: Some non-custodial parents may be able to claim the CTC.*

*If you are married, the income limit is \$2,000 higher than this amount. Many married workers will get a larger EIC.

¡Haga que los impuestos le paguen—a usted!

Existen beneficios para personas que trabajan:
Ingreso Ganado y Crédito de Impuesto Infantil.



Para información sobre cómo puede obtener estos créditos de impuestos y ayuda gratuita para la declaración de sus impuestos, llame al IRS al 1-800-829-1040.

Reclame su Reembolso de Ingreso Ganado

¡Sáquele provecho a su cheque de pago regular! El Reembolso de Ingreso Ganado (EIC) es un beneficio especial de impuestos para personas que trabajan tiempo completo o parcial. Si usted califica, usted debe menos en impuestos y por lo tanto puede recibir dinero de regreso. Aún si usted no debe impuesto sobre ingresos, usted puede obtener este beneficio. Pero debe llenar su declaración de impuestos fiscales.

¿Quién puede obtener el Reembolso de Ingreso Ganado?

- Trabajadores que tienen niños en sus hogares y que ganaron menos de \$35,263* en el 2005 pueden recibir un EIC de hasta \$4,400. (Los trabajadores que tienen solo un niño y que ganaron menos de \$31,030* pueden recibir un EIC de hasta \$2,662.) Llene el Formulario 1040 o el 1040A, y adjunte el Formulario Schedule EIC.
- Trabajadores entre las edades de 25 y 64, que no tienen niños en sus hogares y que ganaron menos de \$11,750* en el 2005 pueden recibir un EIC de hasta \$399. Llene cualquier formulario de impuestos.

La opción del **Pago Adelantado de EIC** le permite obtener parte del EIC a algunos trabajadores que tienen niños como parte de su cheque de pago a través del año y parte del EIC en forma de un cheque del IRS después de que hacen su declaración de impuestos. Un trabajador puede obtener hasta \$60 extra en cada cheque de pago quincenal. Para obtener Pago Adelantado de EIC, los trabajadores elegibles deben entregar un Formulario W-5 a su empleador. Usted puede obtener el W-5 de su empleador o llamando al IRS al 1-800-TAX-FORM.

El pago de impuestos le puede pagar aún más – pida el reembolso de su CTC! Muchas familias que ganaron más de \$11,000 pueden y que mantuvieron a niños en sus hogares pueden calificar para el Crédito de Impuesto Infantil (CTC) hasta \$1,000 por cada niño elegible menor de 17 años. Vea las instrucciones para el Formulario 1040 o 1040A y adjunte el Formulario 8812. *Nota: Algunos padres sin custodia pueden reclamar el CTC*

*Si usted es casado, el límite de ingreso es \$2,000 más alto que esta cantidad. Muchos trabajadores casados recibirán un EIC más grande.

Earned Income Credit Envelope Stuffer

This English–Spanish envelope stuffer can be copied and mailed with paychecks, public assistance checks, bills, and other mailings. Local phone and utility companies, for example, might send copies with their December 2005 or early 2006 bills to customers. For more ideas on using the envelope stuffers, see the Strategy Guide in the Outreach Campaign Kit.

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Make Tax Time Pay—for You! Claim All Your Tax Credits

You could be eligible!

Did you work in 2005? You may be eligible for the Earned Income Credit. If so, you'll owe less in taxes and you could get cash back. Even if you don't owe income tax, you can get the EIC!

- Were you raising one child in your home in 2005? Did your family earn less than \$31,030*? You can get an EIC up to **\$2,662**.
- Were you raising more than one child in your home in 2005? Did your family earn less than \$35,263*? You can get an EIC up to **\$4,400**.
- If you weren't raising a child, did you earn less than \$11,750* in 2005? Were you between the ages 25 and 64? You can get an EIC up to **\$399**.

**If you are married, the income limit is \$2,000 higher than this amount. Many married workers will get a larger EIC.*

Here's how you get it:

- If you were raising children in 2005, file federal tax return Forms 1040 or 1040A, *not* Form 1040EZ. Be sure to attach Schedule EIC.
- If you weren't raising children in 2005, just file any federal tax return.

Boost your take-home pay! Eligible workers with children can get Advance EIC in their paycheck. Get Form W-5 from your employer, or call 1-800-TAX-FORM.

Tax time can pay even more — claim your CTC refund!

Many families that earned more than \$11,000 may qualify for the Child Tax Credit (CTC) refund — up to \$1,000 for each qualifying child under age 17. See tax form instructions and get Form 8812.

Want more information? Want to find out how you can get your tax forms filled out for free? Call the IRS toll-free at 1-800-829-1040.

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¡Haga que los impuestos le paguen—a usted!

Reclame todos sus créditos de impuestos

¡Usted puede ser elegible!

Reembolso de Ingreso Ganado o Earned Income Credit. En dado caso, usted deberá menos en impuestos y hasta podría obtener un reembolso en efectivo. Aún si usted no debe impuestos sobre sus ingresos, usted puede obtener el EIC!

- ¿Tenía usted un niño viviendo en su hogar en el 2005? ¿Su familia tuvo ingresos de menos de \$31,030*? Usted puede obtener un EIC de hasta **\$2,662**.
- ¿Tenía usted más de un niño viviendo en su hogar en el 2005? ¿Su familia tuvo ingresos de menos de \$35,263*? Usted puede obtener un EIC de hasta **\$4,400**.
- Si usted no tuvo un niño en su hogar y ganó menos de \$11,750* en el 2005, y usted tiene entre 25 y 64 años de edad, usted puede obtener un EIC de hasta **\$399**.

**Si usted es casado, el salario límite es \$2,000 más alto que esta cantidad. Muchos trabajadores casados obtendrán un EIC mayor.*

Así es como lo obtiene:

- Si usted se encargó de la manutención de niños en el 2005, llene el formulario federal de impuestos y envíe el Formulario 1040 o 1040A, no el Formulario 1040EZ. Asegúrese de adjuntar el Formulario Schedule EIC.
- Si usted no se encargó de la manutención de niños en el 2005, solo llene y envíe cualquier formulario de declaración federal de impuestos.

Aumente su sueldo neto! Los trabajadores elegibles con niños pueden obtener el "Pago Adelantado de EIC" ("Advance EIC") en su cheque de pago. Obtenga el Formulario W-5 de su empleador o llame al 1-800-TAX-FORM.

¡La hora de impuestos puede pagar aún más — reclame su reembolso de CTC!

Muchas familias que ganaron más de \$11,000 pueden calificar para el Crédito de Impuestos Infantil (CTC) hasta \$1,000 por cada niño dependiente de menos de 17 años de edad. Vea las instrucciones de impuestos y obtenga el Formulario 8812.

¿Desea más información? ¿Desea saber cómo puede obtener ayuda gratuita para llenar sus formularios? Llame al IRS sin costo al 1-800-829-1040.

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Earned Income Credit Benefits for Tax Year 2005 at Various Income Levels



This is not a tax table. Do not use this table to complete income tax returns.

2005 household income	Workers not raising a child		Workers raising one child		Workers raising two or more children		
	Is Worker Married?	Not Married	Married	Not Married	Married	Not Married	Married
\$ 500		\$ 40	\$ 40	\$ 179	\$ 179	\$ 210	\$ 210
1,000		.78	.78	.349	.349	.410	.410
1,500		.117	.117	.519	.519	.610	.610
2,000		.155	.155	.689	.689	.810	.810
2,500		.193	.193	.859	.859	1,010	1,010
3,000		.231	.231	1,029	1,029	1,210	1,210
3,500		.270	.270	1,199	1,199	1,410	1,410
4,000		.308	.308	1,369	1,369	1,610	1,610
4,500		.346	.346	1,539	1,539	1,810	1,810
5,000		.384	.384	1,709	1,709	2,010	2,010
5,500		.399	.399	1,879	1,879	2,210	2,210
6,000		.399	.399	2,049	2,049	2,410	2,410
6,500		.399	.399	2,219	2,219	2,610	2,610
7,000		.361	.399	2,389	2,389	2,810	2,810
7,500		.323	.399	2,559	2,559	3,010	3,010
8,000		.285	.399	2,662	2,662	3,210	3,210
8,500		.247	.399	2,662	2,662	3,410	3,410
9,000		.208	.361	2,662	2,662	3,610	3,610
9,500		.170	.323	2,662	2,662	3,810	3,810
10,000		.132	.285	2,662	2,662	4,010	4,010
10,500		.94	.247	2,662	2,662	4,210	4,210
11,000		.55	.208	2,662	2,662	4,400	4,400
11,500		.17	.170	2,662	2,662	4,400	4,400
12,000		.0	.132	2,662	2,662	4,400	4,400
12,500		.0	.94	2,662	2,662	4,400	4,400
13,000		.0	.55	2,662	2,662	4,400	4,400
13,500		.0	.17	2,662	2,662	4,400	4,400
14,000		.0	.0	2,662	2,662	4,400	4,400
14,500		.0	.0	2,637	2,662	4,367	4,400
15,000		.0	.0	2,558	2,662	4,262	4,400
15,500		.0	.0	2,478	2,662	4,157	4,400
16,000		.0	.0	2,398	2,662	4,051	4,400
16,500		.0	.0	2,318	2,637	3,946	4,367
17,000		.0	.0	2,238	2,558	3,841	4,262
17,500		.0	.0	2,158	2,478	3,736	4,157
18,000		.0	.0	2,078	2,398	3,630	4,051
18,500		.0	.0	1,998	2,318	3,525	3,946
19,000		.0	.0	.918	2,238	3,420	3,841
19,500		.0	.0	1,838	2,158	3,314	3,736
20,000		.0	.0	1,759	2,078	3,209	3,630
20,500		.0	.0	1,679	1,998	3,104	3,525
21,000		.0	.0	1,599	1,918	2,998	3,420
21,500		.0	.0	1,519	1,838	2,893	3,314
22,000		.0	.0	1,439	1,759	2,788	3,209
23,000		.0	.0	1,279	1,599	2,577	2,998
24,000		.0	.0	1,119	1,439	2,367	2,788
25,000		.0	.0	.960	1,279	2,156	2,577
26,000		.0	.0	.800	1,119	1,945	2,367
27,000		.0	.0	.640	.960	1,735	2,156
28,000		.0	.0	.480	.800	1,524	1,945
29,000		.0	.0	.320	.640	1,314	1,735
30,000		.0	.0	.161	.480	1,103	1,524
31,000		.0	.0	.2	.320	.682	1,314
32,000		.0	.0	.0	.161	.524	1,103
33,000		.0	.0	.0	.1	.471	.892
34,000		.0	.0	.0	.0	.261	.682
35,000		.0	.0	.0	.0	.50	.471
36,000		.0	.0	.0	.0	.0	.261
37,000		.0	.0	.0	.0	.0	.50