

Mapping Your Path to Work

Answers To Your Work Questions
From New York Makes Work Pay

Earned Income Tax Credit

How to Use the Tax Credit to Build Assets

Elizabeth Jennings

WWW.NYMAKESWORKPAY.ORG



In This Guide

The purpose of this guide is to educate New Yorkers with disabilities about the Earned Income Tax Credit.

- 1** Earned Income Tax Credit
- 2** 2009 EITC Requirements & Benefits
- 3** Worker with Disabilities and EITC
- 4** Connect EITC and Asset Development
- 5** The Five Myths of EITC
- 5** What You Can Do

This booklet is part of a series of New York Makes Work Pay publications that help New Yorkers with disabilities plan a path to employment.



Earned Income Tax Credit

EITC is a refundable tax credit for eligible low-income workers with and without disabilities. There are three major purposes of the EITC: to reduce the tax burden on low-income workers; to provide a work incentive; and to supplement wages.

For Tax Year 2008, over 22 million taxpayers claimed over \$41 billion from the IRS as a result of being eligible for the EITC.

Did you know that if you are single with no kids, worked part-time in 2008 and earned less than \$12,880, you were likely eligible for the Earned Income Tax Credit? What that means is the government owes you money that could be a tax refund up to \$438. Even if you did not owe the federal government and you were not required to file a tax return, think again. The EITC is a refundable credit. Even with no tax liability, you want to file a return with the IRS to collect money owed

you. Many people with disabilities in New York are eligible to receive the EITC refund, but don't know it. You may, in fact, be owed money for the last three years. There are Volunteer Information Tax Sites (VITA) all across the state to help you learn more about EITC and will assist you for free to gain access to the money owed you.

Many working individuals with disabilities do not realize they may qualify for the credit and are unfamiliar with the concept of a "refundable credit." A refundable credit offers a benefit even to workers whose earnings are too small to have any tax liability.

2009

EITC Requirements & Benefits

① You must have earned income.

Earned Income and adjusted gross income (AGI) must each be less than:

- \$43,279 (48,279 married filing jointly) with three or more qualifying children
- \$40,295 (\$45,295 married filing jointly) with two qualifying children
- \$35,463 (\$40,463 married filing jointly) with one qualifying child
- \$13,440 (\$18,440 married filing jointly) with no qualifying children

② You must be at least 25 and under 65.

③ Investment income must be \$3,100 or less in 2009.

④ You must file your taxes.

The EITC is a refundable credit. What that means is that based on your income, even when you have no tax liability, you will receive a tax refund. Even with no tax liability an individual must file a tax return. Without filing, you cannot receive an EITC tax refund.

⑤ Tax Year 2009 maximum credit:

- \$5,657 with three or more qualifying children
- \$5,028 with two qualifying children
- \$3,043 with one qualifying child
- \$457 with no qualifying children



Worker with Disabilities and EITC

To be eligible for the credit, an individual must have earned income. Most disability-related public benefits such as SSI and SSDI are not considered earned income. To qualify for the credit, an individual with a disability between ages 25 and 64 who worked even part-time at some point in 2008 would qualify for the EITC. If an individual with a disability on social security benefits who did not work at all in 2008 has a spouse who worked, then together, they may qualify for the credit.

It is important to know that claiming the EITC will not affect eligibility for Medicaid, SSI, food stamps, veteran's benefits, or federally assisted housing. While continued eligibility for these public benefits will not be adversely impacted, many government benefit programs also have rules about the amount of resource (asset limits) a person may have to remain eligible.

For SSI, EITC refunds are excluded from the resource test for only nine months following the month the refund is received. For Medicaid, states have flexibility to set resource limits beyond the standard rule of a two-month period. It would be advisable for workers with disabilities to check with the Medicaid program in their states about the application of tax refunds on resource limits.

It is also important to know that an eligible worker with disabilities who is learning about the EITC for the first time may file retroactively to claim the credit for a three-year period. For example, Mary Williams, who is not married and has no children, worked part-time in 2006, 2007, and 2008. Mary currently receives SSI benefits as well. In each of the three past years, Mary worked. She earned \$5,000 in 2006, \$7,500 in 2007 and \$10,000 in 2008. Mary has not filed a tax return for any of the past three years because she had no tax liability. Since the EITC can be claimed retroactively, Mary can now submit to the IRS a tax return for each year and be entitled to a refund of over \$900.

Connect EITC and Asset Development



In 2007, the IRS began offering a new option for tax filers that allows them to “split their refund.” The split refund enables a filer receiving a refund through a direct deposit to arrange for part of it to be deposited directly into a savings account. The split refund option allows lower income workers a convenient, automatic savings mechanism that can start an individual on a path to advance self-sufficiency. The split refund may also be a way to begin to participate in an Individual Development Account (IDA), a matched savings plan that is tied to a specific asset development goal.

For low-income workers, it is extremely difficult to save with many demands on a limited income. Most workers are reluctant to commit their entire tax refund to savings. Many low-income workers have no bank account in which to start saving and growing financial resources. The split refund opens up new opportunities to engage financial institutions to develop new services attractive to lower income tax payers.

Many of the IRS-facilitated community partnerships nationwide are partnering with banks and credit unions at VITA sites to help open new savings accounts on site. Low-income filers can obtain their refund more quickly by filing electronically with the assistance provided at the VITA site and then having the IRS send the tax refund directly into their new account.

The Five Myths of EITC

1. You have to be married or have children to be eligible. **False**
2. You have to owe taxes to be eligible. **False**
3. You do not have to file to get your tax refund. **False**
4. The EITC refund will impact my other public benefits. **False**
5. You have to be employed by someone else (cannot be self-employed). **False**

What You Can Do

- ☑ **File your taxes!** In over 350 communities nationwide the IRS is working with diverse community partners to establish Volunteer Income Tax Sites (VITA sites) to help you prepare your tax returns and claim the EITC for free. To locate the nearest VITA site, call **1-800-829-1040**.
- ☑ Learn more about the EITC and VITA sites in your community by visiting the IRS Web site at **www.eitc.irs.gov/central/main**. The IRS Stakeholders Partnerships Educations and Communication (SPEC) Division is responsible for outreach to eligible individuals and families to help with tax preparation assistance.
- ☑ Learn more about IRS marketing and outreach to individuals with disabilities through community partnerships nationwide by contacting Richard Keeling at the IRS, SPEC Division at **Richard.Keeling@irs.gov**.

Development of the "Map Your Path to Work" guides is made possible by a Comprehensive Employment System Medicaid Infrastructure Grant funded by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) to the New York State Office of Mental Health (OMH) and its management partners the Burton Blatt Institute (BBI) at Syracuse University and the Employment and Disability Institute (EDI) at Cornell University.



Burton Blatt Institute
900 S. Crouse Avenue
Crouse-Hinds Hall, Suite 300
Syracuse, NY 13244-2130

voice: 315-443-2863
fax: 315-443-9725
web: <http://bbi.syr.edu>

www.NYMAKESWORKPAY.org