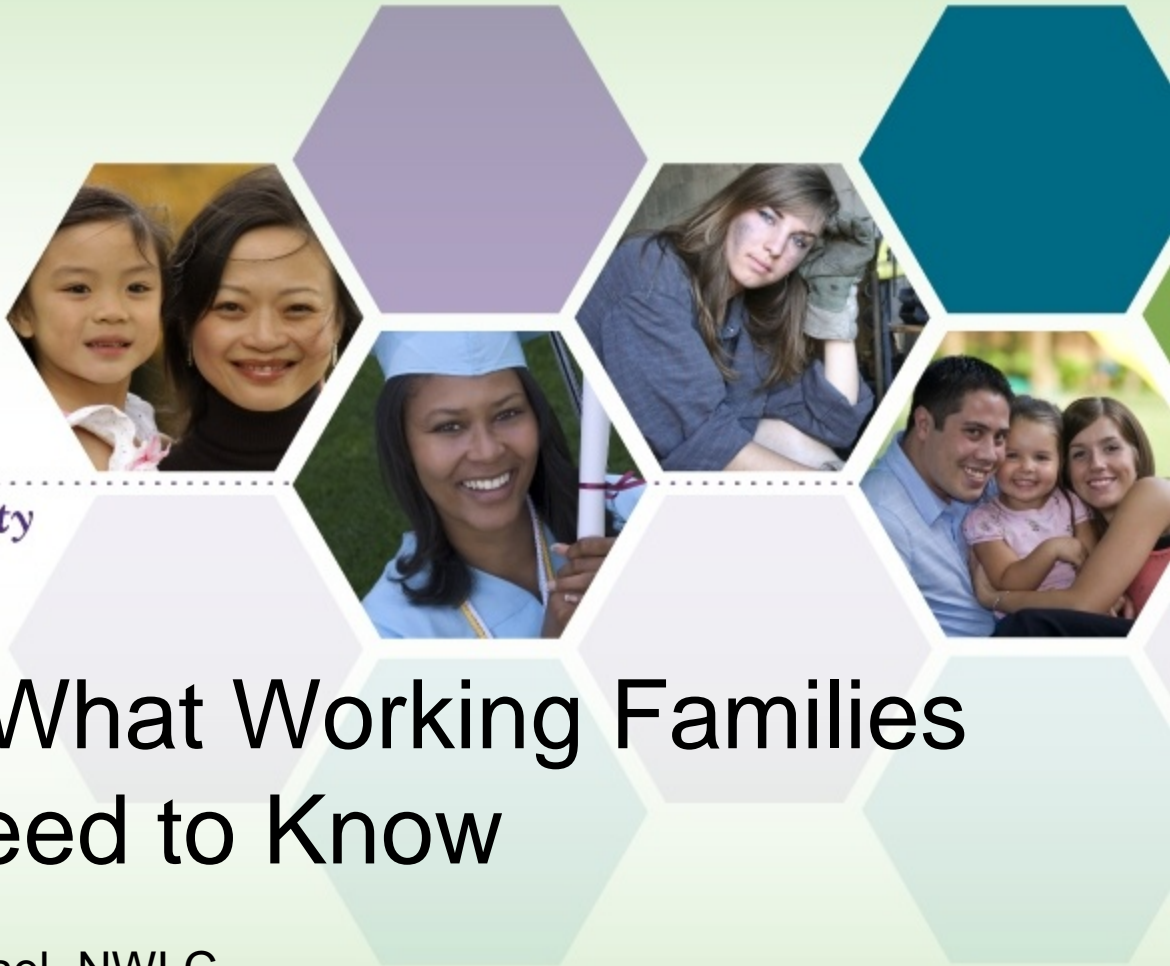


October 26, 2011



Citi Education Series
on Family Economic Security



Tax Credits: What Working Families Need to Know

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Polling slide

Please tell us a little bit about yourself. Pick the answer that best describes you:

- Direct service provider (private or nonprofit)
- Advocate (state or federal)
- Government agency (federal, state or local)
- Employer
- Union
- Interested Individual
- Other



Last year, times were tough for millions of families with children.

- More than **59 million** people in families with children (38.5%) were near poor (that is, below 200% FPL: below \$35,136 for a family of 3; below \$44,226 for a family of 4).
- Nearly **28 million** people in families with children (18%) were in poverty (below \$17,568 for family of 3; below \$22,113 for family of 4).



Things are getting worse.

- **2008:** the first year of the recession. Unemployment averaged **5.8%**.
- **2009:** unemployment averaged **9.3%**.
- **2010:** unemployment averaged **9.6%**.
- **2011:** so far, averaging **9.0%**.
- Rising unemployment means rising poverty.



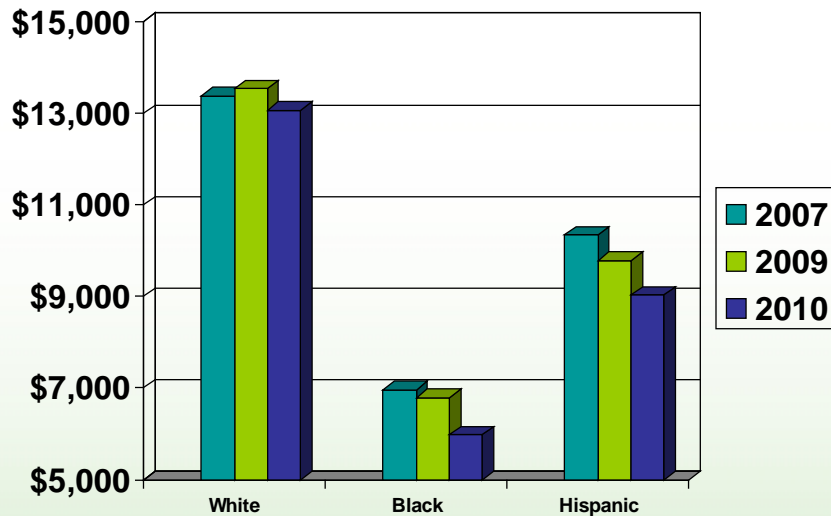
Alarming Child Poverty Levels

- **More than one in five children was poor in 2010 (22%)**, up from 19% in 2008.
- The number of poor children grew by 950,000 from 2009 to 2010.
- Nearly 10 percent of children are living in ***extreme poverty*** (below half the poverty line, or less than \$8,687 for 3-person family).

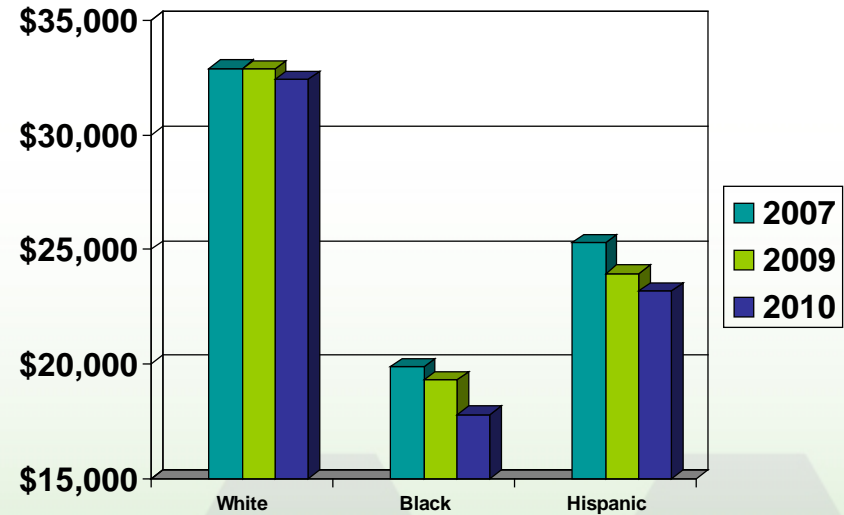


Average Household Income Drops in Bottom 3/5's: *Large Racial Disparities Persist*

Lowest 5th



2nd 5th

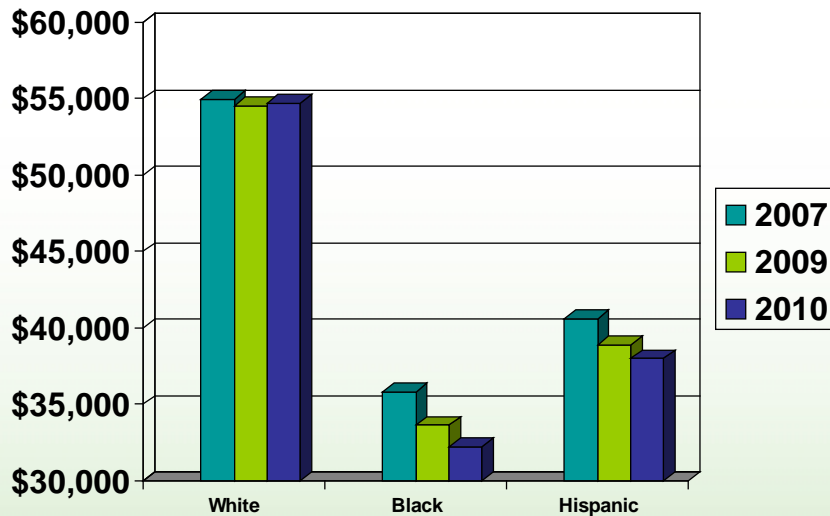


*In 2010 dollars: bottom 3/5's =
71,208 households in 2010*

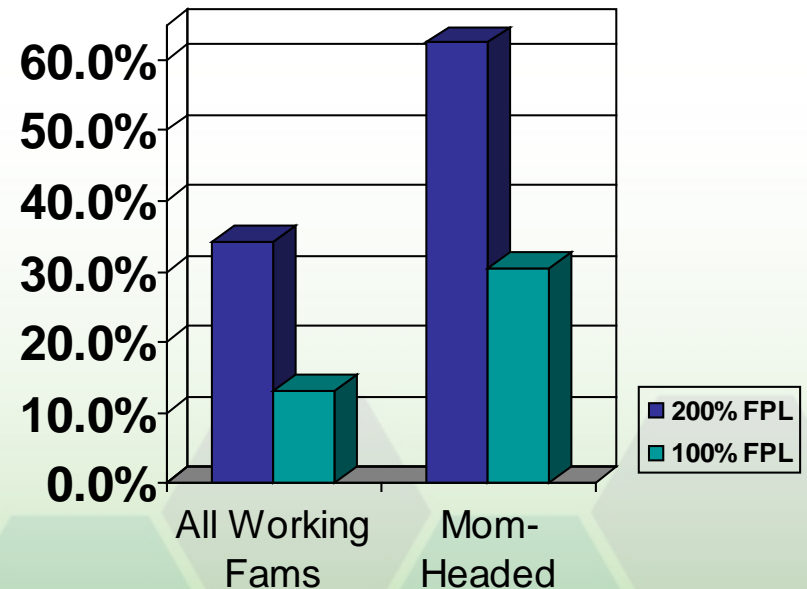


Millions of Working Families with Children Have Incomes Low Enough to Qualify for Tax Credits

Middle 5th, Average Income



**Working Families with Children,
Poor and Near Poor, 2010**





Polling slide

- How many families with children with a working head of household were living below **200** percent of the poverty line in 2010?
 - 2 million?
 - 5 million?
 - 10 million?



People Have Lost Jobs or Lost Hours of Work

- From the start of the recession (Dec. '07) to Sept. '10, the number unemployed rose from **7.6m** to **14.8m**. In 9/11: **13.99m**
- The number of people working part-time for economic reasons rose from **6.3m** in Sept. 08 to **9.5m** in Sept. '10. In 9/11: **9.27m**



People are out of work longer, but most still have earnings each year.

Median number of weeks unemployed:

- » Sept. 08: **10.3**
- » Sept. 09: **17.3**
- » Sept. 10: **20.5**
- » Sept. 11: **22.2**



Families are Finding it Harder to Make Ends Meet

- **SNAP caseloads up nationwide –**

July '08	July '10	July '11	% Increase (7/8 – 7/11)
29 m	41.8 m	45.3 m	+ 56.2%

SNAP = Supplemental Nutrition Assistance Program, aka food stamps



States With High SNAP Increases

	Unemployment, 7/11	SNAP, 7/10 – 7/11
Maryland	7.1%	+ 17.0%
Minnesota	7.2%	+ 16.7%
New Jersey	9.5%	+ 16.3%
Delaware	8.1%	+ 15.9%
North Carolina	10.1%	+ 15.9%
Nevada	12.9%	+ 14.5%



**Wouldn't it be great if families
could have more money for their
basic expenses?**





If they claim the federal tax credits for which they are eligible, families could receive:

- Up to **\$5,751** from the federal **Earned Income Tax Credit**.
- Up to **\$1,000** per child from the federal **Child Tax Credit**.
- Up to **\$2,100** from the federal **Child and Dependent Care Tax Credit**.

* Families can receive all of these tax credits if they are eligible*



And states offer similar tax assistance to families:

In 2011:

- Twenty-four states offer EITCs;
- Twenty-eight states offer child care credits; and
- Three states offer child tax credits.



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 provide for families? A lot!

- In 2011, eligible families with three children in paid child care in New York state could receive:
 - Up to \$5,751 in federal EITC benefits and up to \$1,725 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 can lower the taxes you owe or increase your refund.

- If the tax credit is **nonrefundable**, it will lower a family's tax bill -- at most, down to zero.
- If the tax credit is **refundable**, families may be able to receive some of their tax credits as a refund, even if they don't owe taxes.



Tax refunds can help families save for a rainy day.

- Families can use their refunds to create an emergency fund or build up savings.
- If families use direct deposit, they can split their refunds – for example, put a little money into a savings account and the rest into a checking account.
- Many EITC coalitions can help families save and build assets.



So, which are the refundable credits?

- The federal **Earned Income Tax Credit**;
- The federal **Child Tax Credit**;
- Twelve state child care credits and 21 state EITCs.

SADLY, the federal **Child and Dependent Care Tax Credit** is not refundable.



Polling slide

- How much can a couple with three children earn and still be eligible for the EITC in 2011?
 - Up to \$18,470
 - Up to \$40,545
 - Up to \$48,362



Earned Income Tax Credit

The federal **Earned Income Tax Credit** is a wage supplement for low- and moderate- income working families.





For tax year 2011, the EITC is worth more than ever!

- The American Recovery and Reinvestment Act of 2009 increased the value of the EITC for families with three or more children, and for some married couples, for tax years 2009 and 2010.
- In December 2010, these increases were extended through the end of 2012.



How much is the EITC worth?

- Up to **\$5,751** for a family with three or more children who earned less than \$43,998 (\$49,078 if married) in 2011.
- Up to **\$5,112** for a family with two children who earned less than \$40,964 (\$46,044 if married) in 2011.
- Up to **\$3,094** for a family with one child who earned less than \$36,052 (\$41,132 if married) in 2011.
- Up to **\$464** for an individual without qualifying children who earned less than \$13,660 (\$18,740 if married) in 2011.



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.



Polling slide

Which of the following statements is NOT true:

- families earning \$3,000 or more are eligible for a refundable child tax credit
- The child tax credit is worth \$500 per child
- There is no limit to the number of children families can claim for the child tax credit



Families earning \$3,000 are eligible for a Child Tax Credit refund!

- Congress reduced the amount that a family must earn in 2009 and 2010 in order to receive part of their Child Tax Credit as a refund (from \$8,500 in 2008 to **\$3,000**).
- In December 2010, these increases were extended through the end of 2012.



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.
- The family will receive either
 - 15% of their income above **\$3,000** or
 - the amount of the Child Tax Credit that exceeds their tax liability, whichever is less.



Example

- A parent earning \$8,500 with no income tax liability will receive a refund of **\$825** from the Child Tax Credit.





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 between **20 and 35%** of qualifying child and dependent care expenses.
- So the credit is worth a maximum of **\$2,100** for two children or dependents and **\$1,050** for one child or dependent.



Important Expiration Dates

- The Child and Dependent Care Tax Credit was improved in 2001-2003.
- These improvements will expire in December 2012.
- If the improvements aren't extended, the credit could go from \$2,100 back down to \$1,440.



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:

The credit	To be eligible, a family needs	Age of qualifying children	Maximum credit value
EITC	Earned income, but not more than \$49,078 for married couple with 3 kids	Under 19, or under 24 if a full-time student	\$5,751
CTC	\$3,000 in earned income for refund	Under 17	\$1,000 per child
CDCTC	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 with children must file the IRS form 1040 or 1040A, but **not** the 1040 EZ.
- Families must also file a separate form for each tax credit.



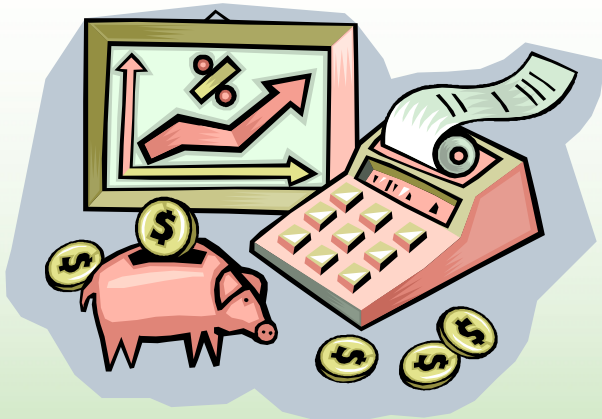
Stay Tuned

- The “supercommittee” may propose changes to family tax credits.
- The recent improvements to the federal credits expire in December 2012.
- Some states are cutting back on their family tax credits.



Now that you know about tax credits. . . .

You can help families put money back in their pockets.





You can take five easy steps to help families claim tax credits.

- **Get the facts.** Visit NWLC's website (www.nwlc.org/loweryourtaxes) and download the Tax Credit Outreach Campaign Toolkit, fliers on tax credits and free tax preparation assistance, and other materials in English, Spanish, and some additional languages. You can also call the IRS at **(800) 906-9887**.
- **Partner up to expand your reach.** Work with EITC coalitions (call **(202) 408-1080**), other advocacy or service organizations in your community, local businesses and state agencies, to get the word out to families with children.

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- **Spread the word to families with children.** Distribute materials in the community and at parent meetings, put information on tax credits in your newsletters, put a link to NWLC's webpage, **www.nwlc.org/loweryourtaxes**, on your website, and provide information on tax credits and free tax preparation assistance over the phone.
- **Work with the media.** Talk to reporters, write letters to the editor, use Public Service Announcements, or organize a press event to get the word out.
- **Become an NWLC Community Partner.** Sign up to become a community partner at **<http://action.nwlc.org/communitypartner>** or by visiting our website, **www.nwlc.org/loweryourtaxes**. NWLC offers technical assistance and tailored materials to our community partners.



For more information. . . .

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



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

- On November 8 at 1 p.m. Eastern, we'll be offering another free webinar that will focus on tips and tools for tax credits outreach.
- To register, visit:
<http://action.nwlc.org/taxcreditstraining>



Polling slides

We hope this webinar has been useful for you.

Please let us know what you thought (yes/no):

- Was the presentation too long?
- Did the presentation give you enough detail?
- Do you know where to go for more information?
- On a scale of 1 to 5, with 1 being the least helpful and 5 being the most helpful, how helpful was this webinar to you? (1,2,3,4,5)