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TAX CREDITS: WHAT FAMILIES NEED TO KNOW

DEBBIE WEINSTEIN, EXECUTIVE DIRECTOR,
COALITION ON HUMAN NEEDS

REGGIE OLDAK, SENIOR COUNSEL & DIRECTOR OF
GOVERNMENT RELATIONS, NWLC

SUSANNA BIRDSONG, LEGAL FELLOW, NWLC

WEBINAR TECHNOLOGY

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SPEAKERS FOR THIS SESSION



**Deborah
Weinstein**

Executive Director,
Coalition on Human Needs
dweinstein@chn.org



Reggie Oldak

Senior Counsel & Director of
Government Affairs;
National Women's Law Center
roldak@nwlc.org



**Susanna
Birdsong**

Legal Fellow,
National Women's Law Center
sbirdsong@nwlc.org

TIMES TOUGHER IN 2012 FOR MILLIONS OF FAMILIES WITH CHILDREN THAN IN GREAT RECESSION

- **Nearly 60 million people in families with children (39.1%) were near poor (that is, below 200% FPL: below \$36,568 for a family of 3; below \$46,984 for a family of 4). *(That's 3.7 million more than in 2008; up from 35.7%.)***
- **27.5 million people in families with children (18%) were in poverty (below \$18,284 for family of 3; below \$23,492 for family of 4). *(Up 3.8m from 2008, when the poverty rate was 15.4%.)***

AFTER A LONG SIEGE, SOME IMPROVEMENT IN UNEMPLOYMENT.

- **2008: the first year of the recession. Unemployment averaged 5.8%.**
- **2009: 9.3%**
- **2010: 9.6%**
- **2011: 8.9%**
- **2012: 8.1%**
- **2013, so far: 7.5%**

POVERTY STUBBORNLY HIGH

More poverty among families with children with at least one worker:

2008: 11.3% 2011: 13.1% 2012: 13.1%

More poverty among families with children headed by women:

2008: 37.2% 2011: 40.9% 2012: 40.9%

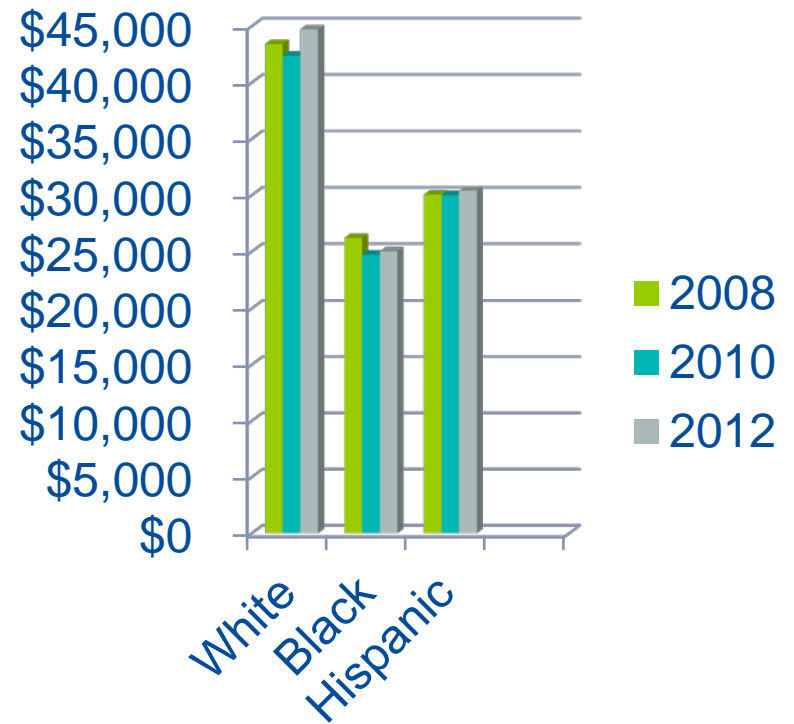
ALARMING CHILD POVERTY LEVELS

- **More than one in five children was poor in 2012 (21.8%), up from 19% in 2008.**
- **The number of poor children changed little from 2011 to 2012 (declined by 61,000).**
- **Since 2008 (full recession year), the number of children in poverty has grown by *2 million*.**
- **Nearly 10 percent of children are living in extreme poverty (below half the poverty line, or less than \$9,142 for 3-person family with children). *Up from 8.5% in 2008, but slightly down since 2011.***

WHITE HOUSEHOLD INCOME UP SINCE 2008 IN BOTTOM 40%; BLACKS DOWN, HISPANICS STATIC

LOWEST 5TH,
Upper Bound

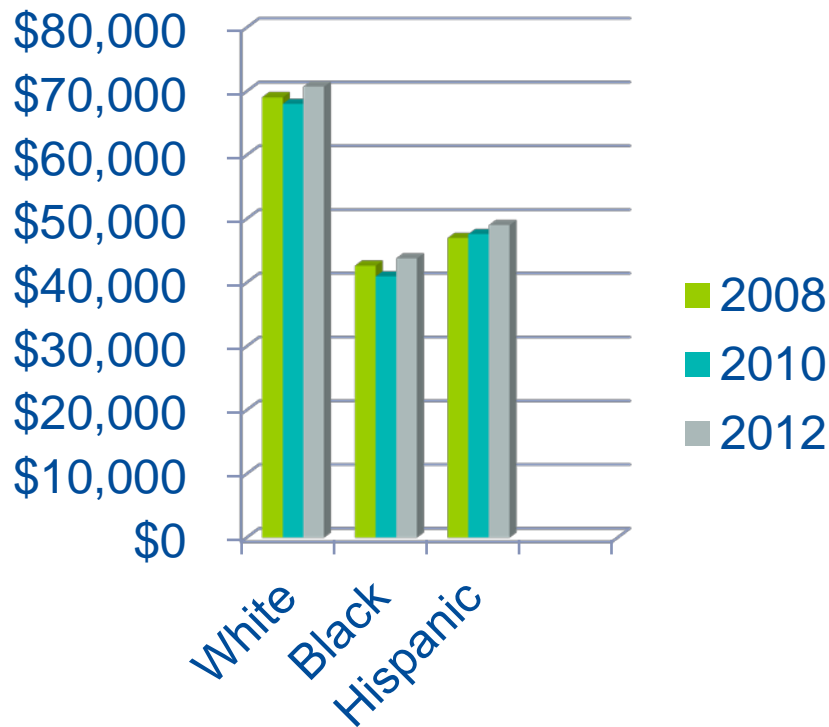
2ND 5TH,
Upper Bound



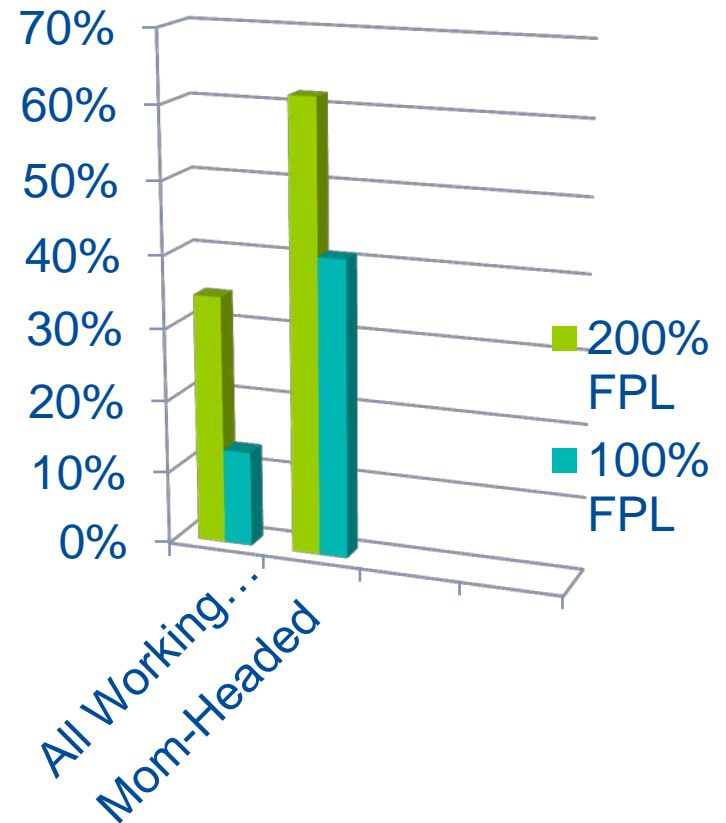
MILLIONS OF FAMILIES WITH CHILDREN HAVE INCOMES LOW ENOUGH TO QUALIFY FOR TAX CREDITS

MIDDLE 5TH

Upper Bound



FAMILIES WITH CHILDREN, POOR AND NEAR POOR, 2012



SLOWLY DECLINING UNEMPLOYMENT; MILLIONS STILL UNABLE TO GET FULL-TIME JOBS

- **From before the recession (2007) to 2010, the number unemployed rose from 7.8m to 14.8m. Started to decline in 2011: 13.7m. Down to 12.5m in 2012, and down more by 9/13, to 11.3m.**
- **The number of people working part-time for economic reasons rose from 4.4m in 2007 to 8.56m in 2011. In 9/13: 7.9m.**

MANY WEEKS UNEMPLOYED, BUT MORE WEEKS OF EARNINGS IN 2012.

Median number of weeks unemployed:

- Sept. 08: **10.3**
- Sept. 09: **17.3**
- Sept. 10: **20.5**
- Sept. 11: **21.8**
- Sept. 12: **18.5**

SNAP BENEFITS DROPPED

(Starting November 1)

3 person family: -\$29 per month

4 person family: -\$36 per month

**21 million children in SNAP
households - more than 1 in 4
children**

FEDERAL AND STATE TAX
CREDITS ARE AN IMPORTANT
RESOURCE TO HELP FAMILIES
MAKE ENDS MEET.



IF ELIGIBLE FAMILIES CLAIM FEDERAL TAX CREDITS, THEY COULD RECEIVE:

- Up to \$6,044 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**.
- In 2014, a NEW **Premium Tax Credit** to help pay for health insurance through the Health Insurance Marketplace.

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

AND MANY STATES OFFER SIMILAR TAX BENEFITS TO FAMILIES:

In 2013:

- **Twenty-five states offer EITCs;**
- **Twenty-seven states offer child care credits; and**
- **Three states offer child tax credits.**



HOW MUCH CAN TAX CREDITS BE WORTH? A LOT!

In 2013, eligible families with three children in paid child care in New York state could receive:

- Up to **\$6,044** in federal EITC benefits and up to **\$1,813** 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.
- Up to **\$2,100** in federal Child and Dependent Care Tax credit benefits and up to **\$2,310** in state CADDC benefits.

HOW TAX CREDITS WORK

Tax credits can lower a family's tax bill – and possibly provide a cash 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**, it can erase the family's tax bill – and possibly provide them with a refund.



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.**

EARNED INCOME TAX CREDIT

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

In general, the value of the credit is based upon a family's income and number of children. But there is also a (smaller) credit available to individuals and couples without children.



HOW MUCH IS THE EITC WORTH?

- **Up to \$6,044 for a family with three or more children who earned less than \$46,227 (\$51,567 married filing jointly) in 2013.**
- **Up to \$5,372 for a family with two children who earned less than \$43,038 (\$48,378 married filing jointly) in 2013.**
- **Up to \$3,250 for a family with one child who earned less than \$37,870 (\$43,210 married filing jointly) in 2013.**
- **Up to \$487 for an individual without qualifying children who earned less than \$14,340 (\$19,680 married filing jointly) in 2013.**

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.



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 – a center, a family day care home, 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.

Because this credit is nonrefundable, families can only use it to reduce their tax liability – but this can increase their other refunds.

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 \$51,567 for married couple with 3 kids	Under 19, or under 24 if a full-time student	\$6,044
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 federal tax credit.**
- **Families can also amend tax returns from previous years.**

States have different forms and procedures for claiming state tax credits.

POLL QUESTION

NEW IN 2014: PREMIUM TAX CREDITS TO HELP FAMILIES PAY FOR HEALTH INSURANCE

- **New, affordable health insurance—with coverage effective as early as January 1, 2014—is open for enrollment through the health insurance marketplace NOW.**
- **Many people enrolling in health coverage through the marketplace will be eligible for financial assistance (in the form of a tax credit) to help them cover the cost of insurance.**

WHAT PEOPLE NEED TO KNOW ABOUT ENROLLMENT

- **Open Enrollment period runs from October 1, 2013-March 31, 2014.**
- **Special enrollment for those facing special circumstances (job loss, marriage, birth of a child) is available year-round.**
- **Direct potentially eligible individuals and families to www.healthcare.gov or (800) 318-2596.**

PREMIUM TAX CREDIT: FINANCIAL ASSISTANCE TO HELP PEOPLE BUY HEALTH INSURANCE

- **Available as soon as individuals and families sign up for health insurance (they don't have to wait until they file a 2014 tax return).**
- **Helps pay the cost of a monthly health insurance premium—amount is based on household income and family size.**
- **Paid directly to health insurance company each month.**
- **When families file their 2014 tax return, their final Premium Tax Credit will be calculated. But families should report any changes in income or family size to the health insurance marketplace *throughout the year*, because that may affect their Premium Tax Credit.**

PREMIUM TAX CREDIT: HOW DO PEOPLE QUALIFY AND HOW MUCH ASSISTANCE DO THEY RECEIVE?

- **People with household incomes between 100-400% of the federal poverty line are eligible (between \$23,550 and \$94,200 for a family of four).**
- **Designed so that individuals and families spend no more than a certain percentage of their income on health insurance, using a sliding scale.**
- **The Premium Tax Credit covers the difference between the actual cost of the health insurance plan and the family's contribution.**

EXAMPLE: THE SMITH FAMILY

Example:

- John, Maria, and their five year old twins have a household income of \$31,322 (133% FPL).
- At this income level, the family will contribute a total of 2% of their annual income—or \$626.44—toward their health insurance premium.
- The total annual premium cost is \$11,000. Therefore their annual Premium Tax Credit is \$10,373.66 (\$11,000-their contribution of \$626.44), or \$864.47 a month.
- Every month, their insurer will be paid the \$864.47 Premium Tax Credit directly, and John and Maria will be responsible for paying the insurer the remaining \$52.20 a month.

IMPORTANT REMINDERS FOR 2014: PREMIUM TAX CREDIT

- **Sign up for health insurance!**
 - Encourage people who don't have health insurance to sign up at www.healthcare.gov or (800) 318-2596 before March 31, 2014.
- **Financial assistance is available!**
 - Let families know that the **Premium Tax Credit** can help them afford their monthly health insurance premium!
- **Keep information up to date.**
 - Families should report any change in income or family size to the marketplace *throughout the year* to avoid receiving too much or too little financial assistance.
- **If families use a Premium Tax Credit to help pay for health insurance in 2014, they need to file a 2014 tax return.**

NOW THAT YOU KNOW ABOUT TAX CREDITS. . . .

You can help spread the word to families.



FIVE EASY STEPS TO HELP FAMILIES CLAIM TAX CREDITS.*

1. Get the facts about tax credits.

2. Get the facts about free tax preparation assistance. Call the IRS' free hotline at 1-800-906-9887 to locate a VITA site near you. You can also visit <http://irs.treasury.gov/freetaxprep/>.

* Visit www.nwlc.org/loweryourtaxes and download NWLC's Tax Credit Outreach Campaign Toolkit for more details and sample materials.



FAMILY TAX CREDITS
TAX YEAR 2012

FAMILIES IN CALIFORNIA: GET THE TAX CREDITS YOU DESERVE!

Whether or not you owe any income tax, you could get thousands of dollars back in tax credits.

You could qualify for:

- Up to **\$2,100** from the federal Child and Dependent Care Tax Credit and up to **\$1,050** from the California Tax Credit for Child and Dependent Care Expenses.
- Up to **\$5,891** from the federal Earned Income Credit.
- Up to **\$1,000** per child from the federal Child Tax Credit.

More families than ever are eligible for these credits this year. **TO GET THESE CREDITS, YOU MUST FILE A TAX RETURN.** <http://www.irs.gov/Individuals/Forms/1040>

Find out where you can get FREE help with your taxes by calling the IRS toll-free at (800) 906-9887. Or go to www.irs.gov/Individuals/Find-a-Location-for-Free-Tax-Prep.

FIVE EASY STEPS, CONT'D.

3. Spread the word to families with children.

4. Partner up to expand your reach. Work with EITC coalitions (call (202) 408-1080), other organizations in your community, local businesses and state agencies, to get the word out to families with children.

5. Collect success stories. Share your stories with us at <http://www.nwlc.org/action/share-your-story-tax-credits-outreach>.

Become an NWLC Community Partner. Sign up to become a community partner at www.nwlc.org/communitypartner. NWLC offers technical assistance and tailored materials to our community partners. Or email Amy Qualliotine at aqualliotine@nwlc.org.

LEARN MORE ABOUT SHARING INFORMATION ON TAX CREDITS AND FREE TAX PREPARATION SERVICES WITH FAMILIES!

On November 12 at 1 p.m. Eastern, we'll be offering another free webinar that will focus on tax credits outreach.

To register, visit: www.nwlc.org/outreachwebinar



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.**

To get involved in protecting these tax credits, visit www.NWLC.org and www.CHN.org to sign up for alerts.