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# TAX CREDITS: WHAT FAMILIES NEED TO KNOW

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# LAST YEAR, TIMES WERE TOUGH FOR MILLIONS OF FAMILIES WITH CHILDREN.

- **More than 60 million people in families with children (39.6%) were near poor (that is, below 200% FPL: below \$36,246 for a family of 3; below \$45,622 for a family of 4).**
- **Nearly 28 million people in families with children (18.1%) were in poverty (below \$18,123 for family of 3; below \$22,811 for family of 4).**

# AFTER A LONG SIEGE, SOME IMPROVEMENT.

- **2008:** the first year of the recession. Unemployment averaged 5.8%.
- **2009:** unemployment averaged 9.3%.
- **2010:** unemployment averaged 9.6%.
- **2011:** unemployment averaged 8.9%.
- **2012:** so far, averaging 8.2%.

# POVERTY IMPROVING FOR SOME, BUT NOT ALL

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

**2009: 12.3%**

**2011: 13.1%**

**More poverty among families with children headed by women:**

**2009: 38.5%**

**2011: 40.9%**

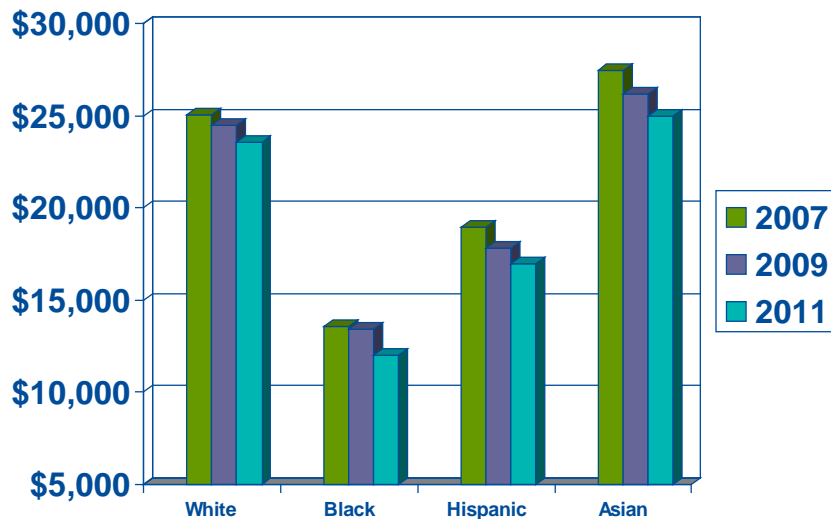
# ALARMING CHILD POVERTY LEVELS

- More than one in five children was poor in 2011 (21.9%), up from 19% in 2008.
- The number of poor children changed little from 2010 to 2011 (declined by 152,000).
- Since 2007 (before the recession), the number of children in poverty has grown by **2.8 million**.
- Nearly 10 percent of children are living in extreme poverty (below half the poverty line, or less than \$9,062 for 3-person family with children).

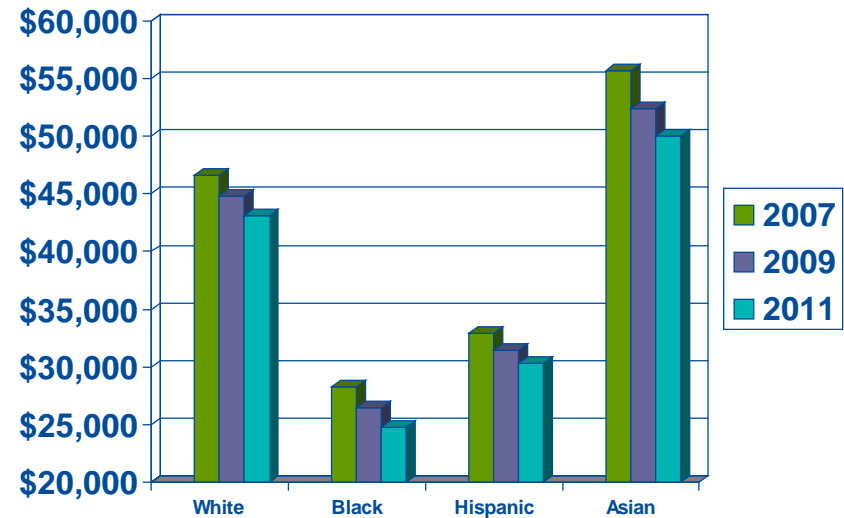
# HOUSEHOLD INCOMES CONTINUE TO DROP IN BOTTOM 3/5'S

## *Racial Disparities Persist*

**Lowest 5<sup>th</sup>**  
*Upper Bound*



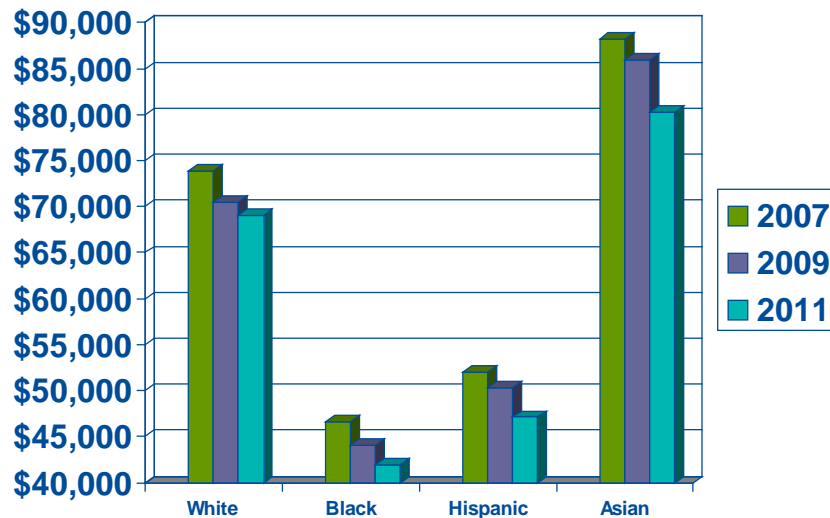
**2nd 5<sup>th</sup>**  
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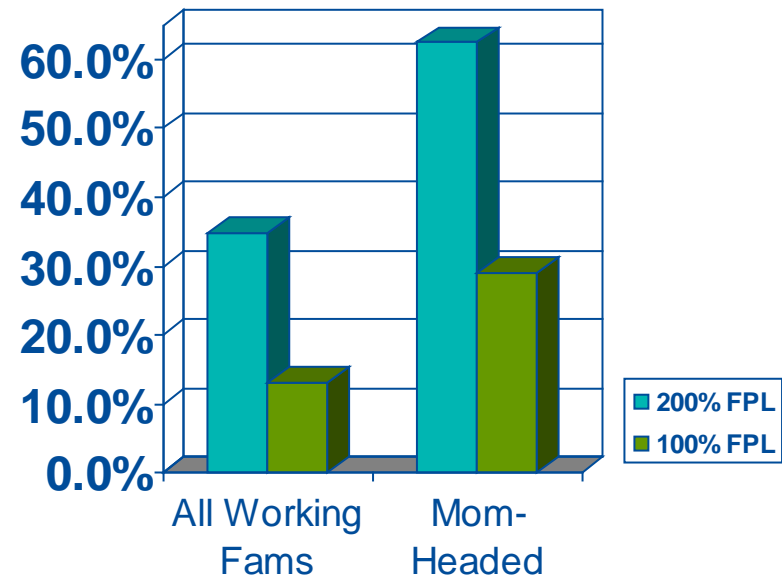
# MILLIONS OF FAMILIES WITH CHILDREN HAVE INCOMES LOW ENOUGH TO QUALIFY FOR TAX CREDITS

## 40.4M FAMILIES IN BOTTOM 3/5'S

Middle 5<sup>th</sup>, Upper Bound



Families with Children,  
Poor and Near Poor, 2011





# PEOPLE HAVE LOST JOBS OR LOST HOURS OF WORK

- 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 **12.1m** in 9/12.
- The number of people working part-time for economic reasons rose from **4.4m** in 2007 to **8.56m** in 2011. In 9/12: **8.61m**

# 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**

# STATES WITH HIGH SNAP INCREASES

	<b>Unemployment, 7/11</b>	<b>SNAP, 7/10 – 7/11</b>
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 \$5,891 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 MANY STATES OFFER SIMILAR TAX ASSISTANCE TO FAMILIES:

**In 2012:**

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

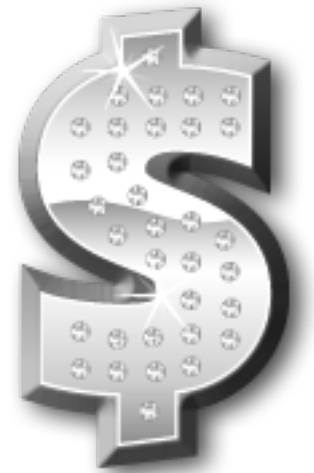


# HOW MUCH HELP CAN TAX CREDITS PROVIDE FOR FAMILIES? A LOT!

**In 2012, eligible families with three children in paid child care in New York state could receive:**

- Up to **\$5,891** in federal EITC benefits and up to **\$1,767** 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.

# LET'S TAKE A CLOSER LOOK AT THE TAX CREDITS.





# 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.

# EARNED INCOME TAX CREDIT

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



# HOW MUCH IS THE EITC WORTH?

- **Up to \$5,891 for a family with three or more children who earned less than \$45,060 (\$50,270 married filing jointly) in 2012.**
- **Up to \$5,236 for a family with two children who earned less than \$41,952 (\$47,162 married filing jointly) in 2012.**
- **Up to \$3,169 for a family with one child who earned less than \$36,920 (\$42,130 married filing jointly) in 2012.**
- **Up to \$475 for an individual without qualifying children who earned less than \$13,980 (\$19,190 married filing jointly) in 2012.**

# IMPORTANT EXPIRATION DATES.

- **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.**
- **These increases were extended through December 2012, when they are scheduled to expire.**



# 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.**



# IMPORTANT EXPIRATION DATES.

- **In the American Recovery and Reinvestment Act of 2009, 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).**
- **These increases were extended through December 2012, when they are scheduled to expire.**



# 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 use it to reduce their tax liability or increase their 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.



# 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 maximum value of the credit could drop from \$2,100 back down to \$1,440.**



# STAY TUNED

- **The recent improvements to the federal credits expire in December 2012.**
- **Larger tax reform debate is expected in 2013.**
- **Some states are cutting back on their family tax credits.**

# THE CHEAT SHEET:

The credit	To be eligible, a family needs	Age of qualifying children	Maximum credit value
<b>EITC</b>	Earned income, but not more than \$50,270 for married couple with 3 kids	Under 19, or under 24 if a full-time student	<b>\$5,891</b>
<b>CTC</b>	<b>\$3,000</b> in earned income for refund	Under 17	<b>\$1,000 per child</b>
<b>CDCTC</b>	Work-related child care expenses	Under 13	<b>\$2,100</b>



# 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.***

# NOW THAT YOU KNOW ABOUT TAX CREDITS. . . .

**You can help families put money back in their  
pockets.**



# FIVE EASY STEPS TO HELP FAMILIES CLAIM TAX CREDITS.\*

- **Get the facts about tax credits.** Visit NWLC's website ([www.nwlc.org/loweryourtaxes](http://www.nwlc.org/loweryourtaxes)) and download our state specific fliers on tax credits (in English, Spanish, and some additional languages).
- **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](http://www.nwlc.org/loweryourtaxes) and download NWLC's Tax Credit Outreach Campaign Toolkit for more details and sample materials.*

# FIVE EASY STEPS, CONT'D.

- **Spread the word to families with children.** Distribute fliers, write a newsletter article, use your website and social media, give information over the phone, and work through the media. Templates are available on our website!
- **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.
- **Collect success stories.** Keep track of families who tell you that they claimed and benefited from tax credits. Their stories can show people and policymakers the difference tax credits can make in people's lives! 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 <http://action.nwlc.org/communitypartner>. 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](http://www.chn.org).
- On tax credits and tax credits outreach, visit [www.nwlc.org/loweryourtaxes](http://www.nwlc.org/loweryourtaxes).

***To get involved in the debate over continuing these tax credits, visit [www.NWLC.org](http://www.NWLC.org) and [www.CHN.org](http://www.CHN.org) to sign up for alerts.***

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

**On October 23 at 1 p.m. Eastern, we'll be offering another free webinar that will focus on tax credits outreach.**

**To register, visit:**

**<http://action.nwlc.org/taxcreditstraining>**

