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 | INFORMATIONAL LETTER |
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TRANSMITTAL: 90 INF-31

TO: Commissioners of
 Social Services

DIVISION: Income
 Maintenance

DATE: May 29, 1990

SUBJECT: The Earned Income Credit Campaign

SUGGESTED
 DISTRIBUTION: Public Assistance Staff
 Food Stamps Staff
 Medical Assistance Staff

CONTACT PERSON: Dottie O'Brien at 1-800-342-3715, extension 4-6853

ATTACHMENTS: Publication 310NY - "Cash Payments for Low Income
 Households" - (not available on-line).

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
					90 LCM-42 GIS 90 IM/DC009

The purpose of this release is to publicize the Earned Income Credit Campaign and the availability of campaign kits, posters, fliers and other materials for those organizations interested in helping to publicize the Earned Income Credit (EIC).

The campaign goal is to alert low income working families of the need to file a tax return to receive any credit they are due. It is also to inform families that they can opt to ask their employers to provide the credit as part of their regular paycheck throughout the year rather than waiting for tax time.

The Earned Income Credit was greatly expanded in 1986 to reward and encourage work and also to help offset the growing burden that payroll taxes (that is, Social Security taxes) place on low income working families. Nearly 11 million families now qualify for the credit. In fact, the credit has now become a program providing more than \$5 billion a year in benefits to low income working families.

The Federal Tax Reform Act of 1986 eliminated federal income tax liabilities for millions of low income working families. The provisions of that Act took full effect in 1988. As a result, many more low income working families have no federal tax liability. Many of these families may think there is no reason to file a tax return and, therefore, may lose the EIC to which they are entitled. Eligible families do not automatically receive the EIC. They must file a federal income tax return.

It is also important that working poor families know about the credit because it has been greatly increased. Most working families earning between \$6,000 and \$11,000 in 1989 now qualify for a credit of at least \$800. Families that work and have children living with them are probably eligible for the credit if their income last year was less than \$19,340.

Families do not even have to claim the Earned Income Credit on their tax return. As long as they file Form 1040 or 1040-A, and are eligible for a credit, the Internal Revenue Service will compute the credit for them - and send them a check if their credit exceeds their tax liability. Thus, a parent with two children who earned \$9,000 in 1989 will owe no federal income tax, but will receive a check from the IRS for \$910 if the parent files a tax return. For eligible families that do owe income tax, the credit will reduce their tax obligation.

In tax year 1987, the Earned Income Credit benefit received by New York State residents exceeded \$246 million. It is estimated that amount will increase by 48 percent for tax year 1989. This revenue will provide additional spending power which will benefit families, communities and the State.

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All agency staff members are encouraged to examine their own eligibility for the EIC and to spread the word to friends as well as the client population they serve.

Individuals interested in more information on the credit should call the Internal Revenue Service toll free at 1-800-424-1040.

Organizations interested in receiving campaign materials should write to:

The Center on Budget and Policy Priorities
236 Massachusetts Avenue, NE
Suite 305
Washington, D.C. 20002

The EIC is a positive program for low income working families and every effort should be made to have eligible families take full advantage of the program.

As part of this tax credit information initiative, we are including as an attachment to this transmittal, Publication 310NY, "Cash Payments for Low Income Households". The publication provides information about not only the Earned Income Credit but also New York State's real property tax credit. The real property tax credit is available to eligible renters as well as property owners. The State real property tax credit combined with the Federal EIC can provide low income households with as much as \$1,285 for tax year 1989.

Please include this information with any material you may display or develop.

Oscar R. Best, Jr.
Deputy Commissioner
Division of Income Maintenance