

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

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 | INFORMATIONAL LETTER |
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TRANSMITTAL: 01 INF-4

TO: Commissioners of Social Services
 DIVISION: Transitional Supports and Policy

DATE: January 30, 2001

SUBJECT: The 2001 New York State and Federal Earned Income Credit Campaign

SUGGESTED

DISTRIBUTION: Income Maintenance Directors
 Directors of Food Stamps
 CAP Coordinators
 Employment Coordinators
 Staff Development Coordinators
 TOP Coordinators

CONTACT PERSON: Mark Schaffer at 1-800-343-8859. extension 4-9346 or 518-474-9346

ATTACHMENTS:

Attachment I - Schedule EIC-not available on-line
 Attachment II - Form IT-215-not available on-line
 Attachment III - EIC All Purpose Flyer (English and Spanish versions)-not available on-line
 Attachment IV - EIC Envelope Stuffer-not available on-line
 Attachment V - EIC Federal Benefit Chart - not available on-line
 Attachment VI - Definition of Foster Child for EIC in 2000 - not available on-line

FILING REFERENCES

Previous ADMs/INFs	Releases Cancelled	Dept. Regs.	Soc. Serv. Law & Other Legal Ref.	Manual Ref.	Misc. Ref.
00 INF-4	00 INF-4			FSSB XII-G-8 PASB XVI-B-3 XVI-J-1.4 XXI-A-5	

For tax year 2000, there is one important change to the federal and State Earned Income Credit programs from previous years in the area of Qualifying Children (please see the NOTE at the bottom of this page). As in previous years, the EIC continues to be a tax benefit that is available to employed temporary assistance and food stamp recipients. EICs will not count as income or resources for temporary assistance. Federal and State EICs continue to be excluded as food stamp income. Their treatment as a resource is outlined in the Food Stamp Source Book.

The EIC provides several important incentives to work: it reduces the tax burden on low-income wage earners, it supplements wages and it serves to reward work. At minimum wage, a full-time worker with two children will earn less than \$11,000 per year and remain below the poverty level for a family of three. However, the combination of federal and State EICs can close the poverty gap for many families as they move into the workforce. With the increasing numbers of welfare recipients moving into low-wage employment, it is vital that these individuals know about the EIC and how to claim it. Workers, including legal immigrants, who qualify for the EIC and file federal and state tax returns can get back some or all of the income tax that was deducted during the year. Workers whose earnings may be below the taxable level may receive the EIC. For example, for a family with two children and one wage earner holding a full-time minimum wage job, the state and federal EICs can add over one-third to that person's earnings!

Specifically, combined federal and state EIC benefits for qualifying families can be as much as \$4763. Depending on their income, the credit is attainable by families or individuals who worked full time or part time at some point in 2000.

- 1) Workers who were raising one child in their home and had family income of less than \$27,413 in 2000 may receive an EIC of up to \$2353 from federal income tax and \$529 from state income tax.
- 2) Workers who were raising more than one child in their home and had family income of less than \$31,152 in 2000 may receive an EIC of up to \$3888 from federal income tax and \$875 from state income tax.
- 3) Workers who were not raising children in their home but were between ages 25 and under age 65 on December 31, 2000 and had income below \$10,380 can get an EIC of up to \$353 from federal income tax and \$79 state income tax.

NOTE: Qualifying children include: sons, daughters, stepchildren, grandchildren, adopted children or eligible foster children as long as they lived with the taxpayer for more than half the year. Nieces, nephews, children of a friend or foster children can be qualifying children if they lived with the taxpayer all year, were cared for as members of the family, and new for tax year 2000, were placed in the taxpayers home by either a court order or an authorized agency (see Attachment VI). Qualifying children must be under age 19, or under age 24 if they are full-time students. Totally and permanently disabled children of any age also are considered qualifying children. A valid Social Security number is required for any qualifying child born before December 1, 1998.

To claim the federal EIC, workers raising children in 2000 must file either Form 1040 or 1040A, fill out and attach Schedule EIC (Attachment I) and file a joint return if married. Workers who were not raising children in 2000 can file any tax form, including the 1040EZ. Tax filers do not have to calculate their own EIC; if they choose the IRS will do it for them. To claim the state EIC, filers must complete Form IT-215 (Attachment II) and attach it to the state income tax return. More detailed information regarding the state EIC is included in all New York State Income Tax packets. In order to qualify for the NYS EIC, a worker must claim the federal EIC.

It is also important for low-income wage earners with qualifying children to know that instead of receiving one large check from the IRS after they file a tax return, that they can receive a part of their EIC in every paycheck and the rest of the credit after they file. This is called the "advance EIC payment." For many workers, getting part of the EIC in each paycheck can make a difference in paying rent, buying groceries or meeting other day-to-day needs. For example, a worker making between \$490 and \$1045 a month can receive about \$50 extra in each bi-weekly paycheck. This is particularly important for people entering the work force at low wages. Employers also benefit because it can increase the take home pay of their employees at no cost to the business. Workers can get the advanced payment by completing Form W-5: Earned Income Credit Advance Payment Certificate and submitting it to their employer. The W-5 can be completed at any time during the year, but a new W-5 must be filed by the worker at the beginning of each year to continue receiving the EIC in their paychecks.

In order to inform clients and others about the EICs, there are some things social services districts can do:

- When advising clients of the advantages of work over welfare, bring EIC into the discussion giving specific examples of how EIC combined with earnings increases family income;
- Photocopy the "EIC Envelope Stuffer" and include it with any client mailings (Attachment IV);
- Photocopy and distribute the all-purpose flyer (Attachment III) to:
 - physicians;
 - hospitals, clinics, and other health facilities;
 - food pantries;
 - child care centers;
 - schools;
 - libraries;
 - WIC sites;
 - churches;
 - employers who have large numbers of part-time and low-income employees;
 - housing authorities.
 - WIA offices
 - community-based organizations

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- Promote the EICs via newsletters, both your own and others;
 - Inform local community groups such as the United Way, the Junior League and other service providers;
 - Encourage local businesses, banks and utility companies to publicize the EICs to their customers.

Clients may obtain specific federal tax information by calling the IRS toll-free at 1-800-829-1040. State taxpayer information is available toll-free by calling 1-800-225-5829.

Finally, clients can receive tax information or have their tax forms filled out for free by visiting their local Volunteer Income Tax Assistance center (VITA). Many sites will also provide E-File services at no charge. From late January through April 15, VITA volunteers will be at sites in local areas throughout the state. Many workers, especially those who are new to the workforce, are reluctant to complete tax forms on their own because they are intimidated or unfamiliar with the process. Such workers often seek help from commercial tax preparers and pay a fee for this service. Paying a tax preparer reduces the value of the credit for families most in need of it. In addition, a higher fee is charged for a refund anticipation loan, also known as a "quick turn-around refund." However, in recent years IRS has been verifying information on the tax return, such as Social Security numbers, and this practice has sometimes delayed EIC refunds. Thus, there is little justification for paying the higher fee.

Locations of VITA offices will be publicized in the media or can be obtained by calling the toll-free IRS phone number.

Shari Noonan
Director
Office of Transitional
Supports and Policy