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 | INFORMATIONAL LETTER |
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TRANSMITTAL: 91 INF-20

TO: Commissioners of
 Social Services

DIVISION: Income
 Maintenance

DATE: March 20, 1991

SUBJECT: The 1991 Earned Income Credit Campaign

SUGGESTED

DISTRIBUTION: Public Assistance Staff
 Food Stamps Staff
 Medical Assistance Staff
 Staff Development Coordinators

CONTACT PERSON: Mark Schaffer at 1-800-342-3715, extension 4-9346
 Food Stamps: County Representative, extension 4-9225

ATTACHMENTS: "Fact Pack" for the Earned Income Credit Campaign -
 not available on-line
 Publication 310 NY - "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 INF-31				FSSB XII-G-7	90 LCM-42 GIS 90 IM/DC009

The Earned Income Credit (EIC) is available again this year. The purpose of this release is to announce the availability of campaign kits, posters, fliers and other materials to organizations interested in helping to publicize the credit. The goal is to encourage low income working families to file returns in order to receive the credit due them.

For tax year 1988, the last year for which figures are available, more than 700,000 New Yorkers received more than \$370 million in EIC. It is not possible to know precisely how many eligibles fail to claim the credit, but estimates are in the range of 20 percent or higher. As much as \$92.5 million dollars more could have been brought into the State if all those eligible for the credit had received it. Recent liberalization of eligibility rules and the amount of the credit mean that even more New Yorkers are at risk of not receiving tax credits to which they are entitled.

As a result of recently enacted legislation, the family's EIC benefit no longer counts as income when a family's eligibility or benefit level is determined for ADC, PG-ADC/HR, MA or Food Stamps. Additionally, filing for a credit will become even more lucrative in the future. Therefore, it is imperative that districts take steps to encourage working recipients to become accustomed to filing returns so that they will receive this year's and future credits.

There will be large increases in EIC benefits in future years, beginning with tax year 1991. Next year, the maximum EIC benefits will rise to \$1,235 with additional raises in subsequent years. Thus, the EIC has become an important potential source of support for low income working families with children.

This year, the campaign's goal is to alert low income working families of the need to routinely file a tax return. Many low income working families have no federal tax liability. 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.

NOTE: The EIC should be claimed on the tax return to assure its payment. This is line 57 on the 1040 form and 28c on the 1040A form. While the IRS will compute the credit automatically for some eligible families that fail to complete these lines, the IRS now limits the circumstances in which it will perform this service. However, the IRS is equipped to assist people in calculating the credit via their toll free number, 1-800-829-1040.

For tax year 1990, individuals who work and have children living with them are probably eligible for the credit if:

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- the taxpayer is able to file as "head of household"; and
 - the household had more income from earnings than from other sources including public assistance; and
 - the amount of income was less than \$20,264.

For example, a parent who earned \$10,600 in 1990 with two children living in the household, will owe no federal income tax, but will receive a check from the IRS for \$953 if the parent files a tax return. For eligible families that owe income tax, the credit will reduce their tax obligation.

This program can bring many dollars into the State and to low income families. All agency staff are encouraged to spread word of the credit to friends as well as the client population they serve. It is important to note that eligible families may file for retroactive EIC payments for tax years 1987, 1988 and 1989 if they have not already filed income tax returns for those years.

The Department is conducting a publicity campaign on the EIC, including Public Service Announcements by Commissioner Perales. If you would like further information on this campaign, please contact the Department's Public Information Office at (518)474-9516.

Also, we have attached the "Fact Pack" for the Earned Income Credit Campaign which was put together by the Center on Budget and Policy Priorities for your use. If you or any other organizations that you know of are interested in receiving additional "Fact Packs" please write to:

The Center on Budget and Policy Priorities
777 North Capitol Street, NE
Suite 705
Washington, D.C. 20002

Any material included in the "Fact Pack" may be duplicated. Local districts are also urged to collaborate with interested organizations and groups in your communities to publicize this credit.

As part of this tax credit information initiative, we are also including Publication 310 NY, "Cash Payments for Low Income Households" as an attachment. 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 \$1,328 for tax year 1990.

The EIC and real property tax credit are positive programs for low income working families. Every effort should be made to have eligible families take full advantage of the programs.

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Please include information about both programs with material you may display or develop.

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