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## Local Commissioners Memorandum

### Section 1

<b>Transmittal:</b>	05-LCM-02
<b>To:</b>	Local District Commissioners
<b>Issuing Division/Office:</b>	Transitional Supports and Policy
<b>Date:</b>	February 16, 2005
<b>Subject:</b>	Earned Income Tax Credit
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<b>Attachments:</b>	Attachment I - EIC All Purpose Flyer (English and Spanish Versions) Attachment II - EIC Envelope Stuffer Attachment III - EIC Federal Benefit Chart
<b>Attachment Available On – Line:</b>	X

### Section 2

#### I. Purpose

The purpose of this release is to inform local districts of the changes in the EITC for Tax Year 2004.

#### II. Background

The EITC continues to be a very important tax benefit that is available to employed members of low-income households. As in previous years, the Federal and State EITCs will not count as income or resources for temporary assistance. Both EITCs continue to be excluded as food stamp income.

The credits are an important tool that, if applied for, can drastically narrow the poverty gap as family members move into the workforce. Workers who qualify for the EITCs and file federal and state tax returns can receive benefits totaling more than \$5000. In addition, households who qualified in the past two years and never received the EITCs may file for these benefits.

The EITCs can significantly increase the spendable income of low-income wage earners. For example, for a family with two children and one wage earner holding a full-time minimum wage job, the state and federal EITCs can add over one-third to that person's earnings. As such, it is important that district staff discusses the EITCs and encourage households to file for them. In particular, households that are facing financial problems such as rent or utility arrears should be encouraged to file for the EITCs to help increase their income.

### III. Program Implications

There are no changes to the EITC for Tax Year 2004 except an increase in the credit itself and the qualifying income limits.

The maximum credits have increased as follows:

- two or more children  $\$4300(\text{federal}) + \$1290(\text{state}) = \$5590$
- one child  $\$2604(\text{federal}) + \$781(\text{state}) = \$3385$
- no children  $\$390(\text{federal}) + \$117(\text{state}) = \$507$

The qualifying income limits have also increased:

- two qualifying children  $\$34,458$  (or  $\$35,458$  if married)
- one qualifying child  $\$30,338$  (or  $\$31,338$  if married)
- no qualifying children  $\$11,490$  (or  $\$12,490$  if married)

**For additional information about:**

- EITC and Child-Only Cases;
- Child Tax Credit;
- Education Credits;
- Advance EITC;
- VITA and Taxpayer Assistance; and
- Forms Information,

please refer to 04 INF-1: Earned Income Tax Credit and Other Tax Credits.

**Issued By**

**Name: Shari Noonan**

**Title: Deputy Commissioner**

**Division/Office: Division of Transitional Supports and Policy**