



Department of Human Resources
311 West Saratoga Street
Baltimore MD 21201

FIA INFORMATION MEMO

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**TO: DIRECTORS, LOCAL DEPARTMENTS OF SOCIAL SERVICES
DEPUTY/ASSISTANT DIRECTORS FOR FAMILY INVESTMENT
FAMILY INVESTMENT SUPERVISORS AND ELIGIBILITY STAFF**

FROM: CHARLES HENRY, ACTING EXECUTIVE DIRECTOR

RE: EARNED INCOME TAX CREDIT (EITC) AND OTHER TAX CREDITS

PROGRAM AFFECTED: ALL

ORIGINATING OFFICE: OFFICE OF POLICY RESEARCH AND SYSTEMS

SUMMARY:

Now that tax season is upon us it is important to remind our low income working families about the Earned Income Tax Credit and other benefits available to them as they begin preparing their taxes. EITC reduces the tax burden on low-income families, supplements wages and helps make work more profitable than welfare. Anyone who has worked and earned money during the year 2000 may qualify for EITC. EITC does not count as income for TCA, Food Stamps and most other FIA programs.

There are some other tax credits that our low income workers can file for as well: the Child Tax Credit, the Child and Dependent Care Credit, the Maryland Earned Income Tax Credit, and the Montgomery County Working Families Income Tax Supplement. This memo disseminates information about the available tax benefits and encourages local departments to raise the awareness of these benefits for working customers through local promotional campaigns.

BACKGROUND:

WHAT IS EITC AND WHO CAN GET IT?

EITC is a special tax benefit for working people with low or moderate income. Those who qualify for EITC and file a tax return can get back some or all of the taxes they have paid or reduce the taxes they owe. The following persons may qualify for EITC:

- Wage earners who were raising one qualifying child in their home and had family income of less than **\$27,413** in 2000 can get EITC of up to **\$2,353**.
- Wage earners who were raising more than one qualifying child in their home and had family income of less than **\$31,152** in 2000 can get EITC of up to **\$3,888**.
- Wage earners who did not raise qualifying children in their home but were between ages 25 and 64 on December 31, 2000 and had income below **\$10,380** can get up to **\$353** EITC.

Qualifying children are defined as children under age 19 or under age 24 who are full time students. They can be sons, daughters, stepchildren, grandchildren and adopted children as long as they lived with the wage earner more than half of the year. Foster children can be claimed if they lived with the wage earner all year.

WHAT IS THE CHILD TAX CREDIT AND WHO CAN GET IT?

The Child Tax Credit is a benefit to wage earners raising dependent children. It is different from the Child and Dependent Care Credit (which benefits those paying child care or dependent care expenses). This credit is worth **\$500** per dependent child under the age of 17 who lived in the wage earner's home, in the year 2000 and can be claimed on the 2000 federal tax return. However if a family's income was so low that they do not owe any income tax, the family will not generally receive a Child Tax Credit.

Single parents with incomes up to **\$75,000** and married parents with incomes up to **\$110,000** may claim the Child Tax Credit up to **\$500** per dependent child in 2000.

WHAT IS THE CHILD AND DEPENDENT CARE CREDIT AND WHO CAN GET IT?

The Child and Dependent Care Credit allows families with child care expenses to deduct all or a portion of these expenses from their taxes. The credit is also available to families who must pay for the care of a spouse or an adult dependent who is incapable of caring for himself or herself.

Families can claim this credit if:

- They paid for care in 2000 for a child under age 13 or a disabled child who lived with the family **AND**
- They needed the child or dependent care to work or look for work (in 2 parent families, both parents must be working or looking for work unless one parent is a full time student or unable to care for himself or herself) **AND**

- They paid over half the cost of keeping up their home (rent, food, etc.) **AND**
- They paid less for dependent care than their 2000 income. If taxpayers are married and filing joint returns, they must have paid less for care than the income of the spouse with the lowest earnings.

Families can claim only a limited amount of their care expenses on their income taxes. Families with one child or dependent can claim up to **\$2400** of their care expense and up to **\$4800** of their dependent care expenses with more than one child or dependent.

WHAT IS THE MARYLAND EARNED INCOME TAX CREDIT?

The Maryland Earned Income Tax Credit (MEITC) supplements the wages of low-income workers, primarily working families with children. It is available to families even when they do not owe income taxes. Maryland is one of the few states that have a state EITC. The MEITC is based on family size and income. For example: a family of three can receive a MEITC of \$376 if the head of the household works full-time and earns \$5.15 per hour.

WHAT IS THE MONTGOMERY COUNTY WORKING FAMILIES INCOME TAX SUPPLEMENT?

The Montgomery County Working Families Income Tax Supplement provides a tax credit for working families who reside in the county and have income that is below the federal poverty guidelines. The family can qualify for a supplement that is equal to the refund they would receive through the state earned income tax credit program.

OTHER BENEFITS:

If a wage earner is not able to pay a tax service to file their yearly return and does not know how to complete the tax forms, there is a free IRS sponsored program called VITA, which stands for Volunteer Income Tax Assistance. VITA will help low income workers, fill out their tax forms. VITA volunteers are usually located in local community sites such as churches, libraries, shopping malls, community colleges, etc. If a person wants VITA to assist in his income tax preparation, he should take the following information to the VITA site:

- A copy of his 1999 tax returns, if he has it,
- Social security numbers for himself, spouse and any children born on or before December 31, 2000,
- W-2 forms from all jobs worked in 2000,

- 1099-G form if he received unemployment benefits any time in 2000,
- 1099-INT if the received bank interest in 2000,
- Any statements received from a mortgage company during 2000,

To find out more information about VITA, EITC or other questions you may call **1-800-TAX-1040**.

INQUIRIES:

For your convenience, we have attached some promotional flyers and other information that you can duplicate and distribute. In addition, EITC packets, equipped with EITC tax forms, outreach guides, posters, flyers and information on the Child and Dependent Care Tax Benefit and the Child Tax Credit, are available from the Center on Budget and Policy Priorities, at a nominal cost of \$3.00 each. The Center on Budget and Policy Priorities can provide training workshops on promoting EITC. For more information on EITC kits or training workshops contact:

Center for Budget and Policy Priorities
820 First Street N.E., Suite 510
Washington, DC, 20002
Telephone: (202) 408-1080
Fax: (202) 408-1056

The Family Investment Administration will mail out a flyer to all working customers with children describing state and federal tax credits. We are also asking the local departments to help raise awareness of these tax-filing benefits for working customers. If you have any policy questions, please call Gretchen Simpson (410) 767-7937.

cc: FIA Management Staff
Constituent Services
Help Desk
CTF