



Integrating Economic Development through the Earned Income Tax Credit



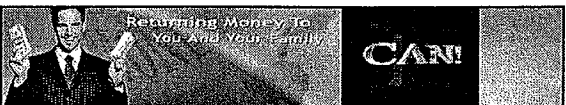
LEGAL AID SOCIETY OF ORANGE COUNTY

Presented by Jeanette Valencia
EITC Program Coordinator



Why Integrate Economic Development?

- Economic stability in client's lives and local economy
- Increased Funding Opportunities
- Applies to your client community
- Can be easily integrated with existing programs
- Minimal Resources required



What is the Earned Income Tax Credit?

The Earned Income Tax Credit (EITC) is a special federal income credit for low-income working individuals and families. The EITC has been credited with lifting more children out of poverty than any other single program.

Promoting the Earned Income Tax Credit (EITC) is a great way to incorporate Economic Development in your organization.



Did you know that...

\$5 to 9 Billion Earned Income Tax Credit Dollars go Unclaimed each year

15-25% of those eligible do not claim the EITC



Earned Income Tax Credit Background

- The EITC has bipartisan support
- Begun under President Ford, it was supported by President Reagan and expanded by President Clinton
- In 1986, the EITC was expanded as a federal tax law overhaul
- In 1993, President Clinton doubled the size of the EITC program
- By 1996, the EITC exceeded federal spending on Welfare and Food stamps combined.

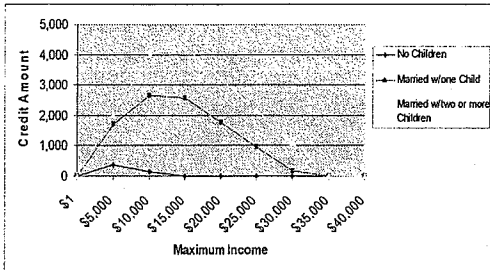


EITC FACTS

- #1 Anti-Poverty Program in the United States
- \$34 Billion Dollar Program
- The average household income of those eligible for the EITC is 125% of the federal poverty level.
- Lifts more children out of poverty than any other program
- Nationwide, 17% of tax returns in 2003 included a claim for the EITC
- 80% of EITC funds are funneled back into the economy



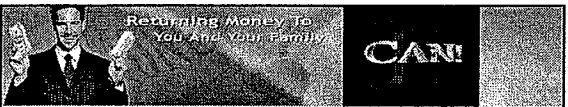
2006 Benefit Range





EITC Income Guidelines for the 2006 Tax Year

| Qualifying Children | Single | Married |
|---------------------|----------|----------|
| 2 | \$36,348 | \$38,348 |
| 1 | \$32,001 | \$34,001 |
| 0 | \$12,120 | \$14,120 |



Maximum EITC Return Amounts for the 2006 Tax Year

- o \$4,536 with two or more qualifying children
- o \$2,747 with one qualifying child
- o \$ 412 with no qualifying children



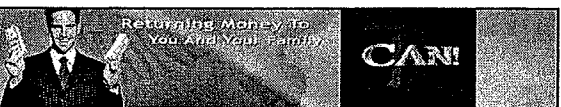
Who is Eligible for the Earned Income Tax Credit?

- Be a U.S. Citizen or Legal Permanent Resident
- Have Earned Income in 2005
- Have a Valid Social Security Number
- Not Qualify as the Dependent of another person
- Investment Income must be less than \$2,800 (if applicable)
- If the number of qualifying children is 0, must be 25 years or older



Frequently Asked Questions

- Can I file if I only worked for 2 months?
- What if I only made \$2,000 for the entire year?
- Will this affect my Welfare or Food Stamp eligibility/payments?




Need for Earned Income Tax Credit Awareness & Outreach

It is a credit that remains under-utilized. Many who are eligible for the EITC do not know about the EITC, and do not know how to claim it. Those that do claim the credit often use paid tax preparers who encourage so-called "Rapid Cash" (Refund Anticipation Loans) which can take up to half of the refund in fees and interest!

15-25% of those eligible do not claim the EITC


Tax Year 2003




**September 2005
Research**

W&I Research Group 5

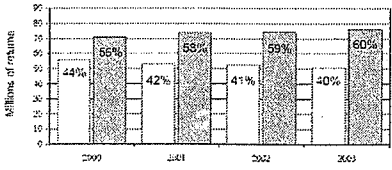
Publication 4210 (9-2005)
Catalog No. 36967G

 **Market Segment Definitions**

- ❖ **Self-prepared return** - there was no paid-preparer identification number on the return
- ❖ **Paid-preparer return** - there was a paid-preparer identification number on the return
- ❖ **Simple**- TeleFile, Form 1040EZ, and Form 1040 or Form 1040A without any schedules.
- ❖ **Intermediate**- Form 1040A w/schedule 1, Child Tax Credit or Education Credit, EIC, or Form 1040 w/schedules A, B, D, Child Tax Credit or Education Credit, or EIC.
- ❖ **Complex**- Form 1040 w/schedules C, E, F or other schedules and all other specific Forms 1040, e.g. 1040 PR, etc.

 **Returns by Type of Preparation
TY 2000 - TY 2003**

☐ Self prepared ■ Paid preparer



While the total number of returns filed has remained fairly constant at about 127 million returns, taxpayers in the self prepared segments have consistently moved to paid preparers.



I-CAN! E-File

I-CAN! E-File will help your clients and community members claim the EITC absolutely FREE!

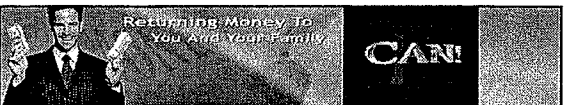
- Accessible via the Internet (www.icanefile.org)
- Absolutely Free
- Written at a 5th grade literacy level
- Simple screens that replace a taxpayer
- Helps clients and community members become more self-sufficient



I-CAN! E-File

- Password (save and come back)
- No Email Address Required
- Direct Deposit
- E-File
- Taxpayer can go back 2 years (05 & 06 tax years)
- Demo
- Returned \$18 million to low-income workers nationally

When E-File and Direct Deposit are used, the taxpayer can receive their refund in 10-14 days!

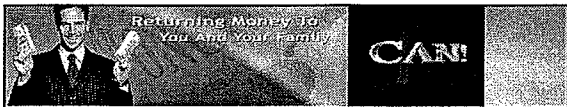


Who Can use I-CAN! E-File?

- Those who are Eligible for the EITC
- Expansion: Those with earned incomes under \$50,000

I-CAN! E-File Target Markets:

- EITC Eligible
- College Students
- Low-to-Moderate Income Taxpayers not Eligible for the EITC



Resources

Legal Aid Society of OC

• WWW.EICPARTNER.COM

- Demo Link & Script
- Sample/Modifiable Outreach Materials
- Implementation/Outreach Plans
- Memorandum of Understanding (MOU)
- General & Resource Info



Additional Resources

The Brookings Institute:

• Create EITC Tables

<http://webapps.brookings.edu/EITC/>

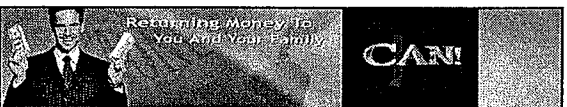
• Reports: EITC from its 1st 30 years

http://www.brookings.edu/metro/pubs/20060209_Holt.htm

Center on Budgets and Policy Priorities:

• Earned Income Tax Credit & Child Tax Credit Outreach Kit

<http://www.cbpp.org/eic2006/>



Contact Information

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