

EITC Funders Network

EITCs in Times of Tight State and Federal Budgets

*Tuesday, March 1, 2011 * 3:00 – 4:00 pm*

The Webinar will Begin Shortly

Webinar Overview

EITC

Funders Network

- During presentations, audience will be on “listen only mode.”
- We will take questions during the Q&A portion.
- How to ask a question:
 - Use the “chat function” on your screen
 - Raise your hand by pressing *1 on your phone.
 - To lower your hand press #.
- Quick Survey

EITC Funders Network

Webinar Overview

I. Welcome

Ami Nagle, EITC Funders Network

II. Overview of Recent Changes to EITC, CTC and Other Federal Tax Credits and What is on the Horizon

John Wancheck, Center on Budget and Policy Priorities

III. Update on State EITC Policies

Nick Johnson, Center on Budget and Policy Priorities

IV. Q&A

Who We Are

□ Who We Are

- More than 200 Members

- Every State in the Union

- Corporate Foundations

- Family Foundations

- Community Foundations

- Governmental Entities

- United Ways

□ What We Do

- Meetings

- Webinars

- eNewsletter

- Website

- Consultation



Developments in Tax Credits for Workers

EITC Funders Webinar, March 1, 2011

Presentation by: John Wancheck

Organization: Center on Budget and Policy Priorities

Phone: 202-408-1080

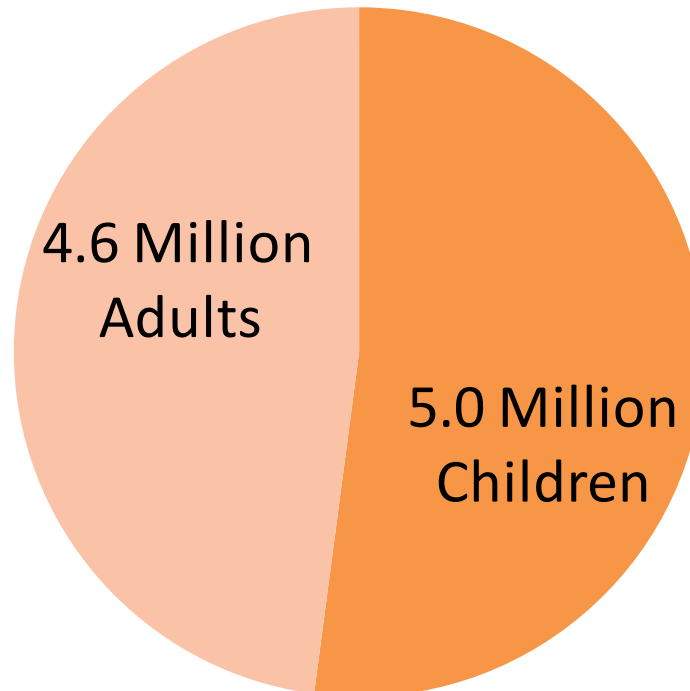
Email: wancheck@cbpp.org

www.eitcoutreach.org

Did You Know...?

The EITC & CTC Lift More than 9 Million Above the Poverty Line

2009



EIC/CTC Expansions Extended

- Higher EIC for families with 3+ children
- Higher EIC for married workers earning over \$16,500; raises top income limit
- Increased CTC for workers earning above \$3,000 = a \$1,500 increase for a full-time worker at minimum wage with two children. Benefits 10 million children.
 - Expansions in effect for work in 2010-2012



How Much Can Workers Earn and Qualify for the EITC?

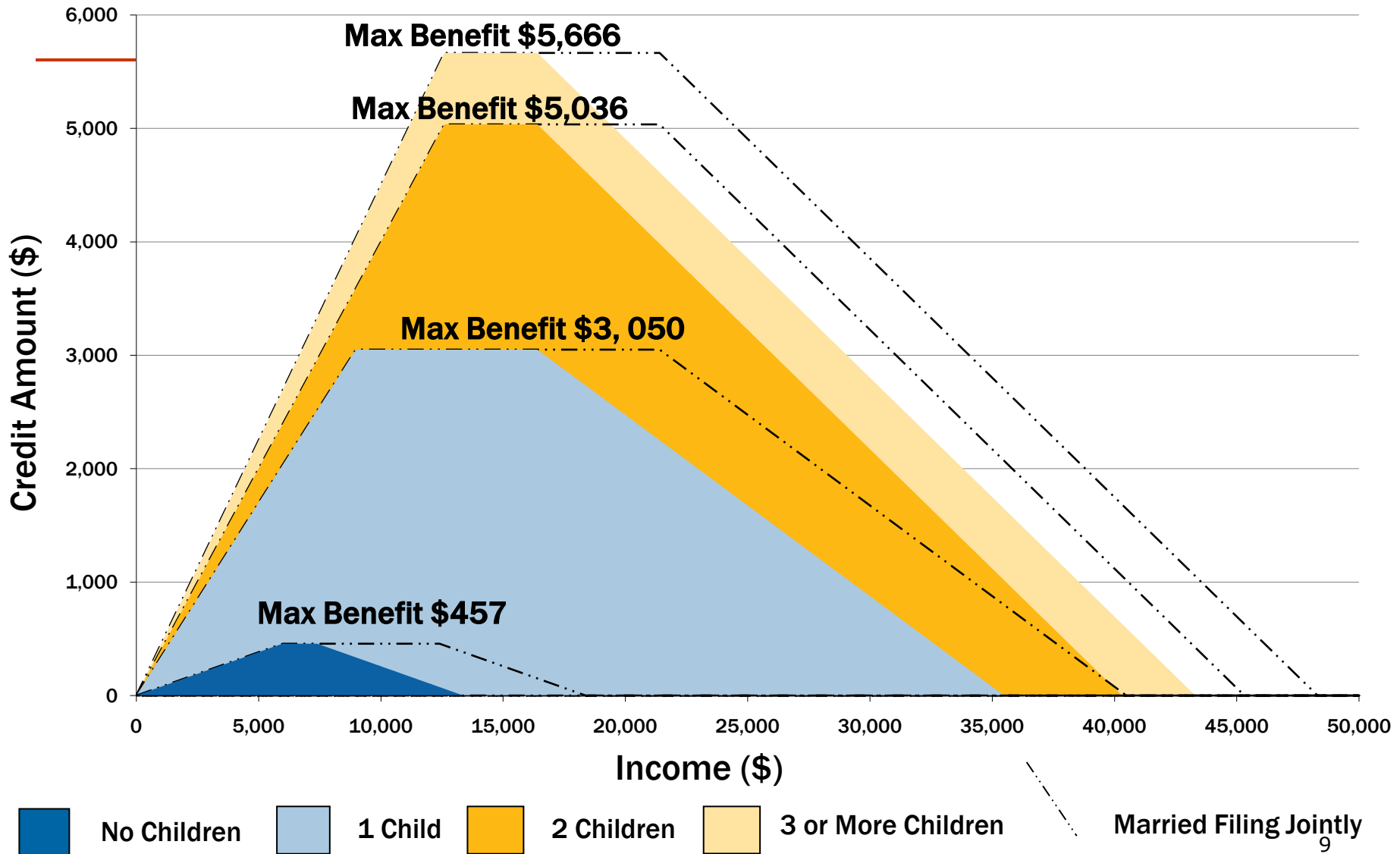
For Work in 2010:

Number of children:	Income less than:	EITC up to:
3 or more children	\$43,352	\$5,666
2 children	\$40,363	\$5,036
1 child	\$35,535	\$3,050
No children	\$13,460	\$457

- **Income limits for married workers are \$5,010 higher than these amounts.**
- Investment income cannot exceed \$3,100.



The Federal EITC for Work in 2010



EITC Benefits for Work in 2010 at Various Income Levels

2010 household income	EITC for single workers not raising a child	EITC for single workers raising one child	EITC for single workers raising two children	EITC for single workers raising three or more children
\$ 5,000	\$383	\$1,700	\$2,000	\$2,250
\$ 8,000	\$418	\$2,720	\$3,200	\$3,600
\$12,000	\$112	\$3,050	\$4,800	\$5,400
\$14,000	\$0	\$3,050	\$5,036	\$5,666
\$20,000	\$0	\$2,483	\$4,288	\$4,918
\$25,000	\$0	\$1,684	\$3,235	\$3,865
\$30,000	\$0	\$ 885	\$2,182	\$2,812



Meet Maxine

Maxine is a single mom raising a 6-year old son.



- ❑ She earned \$19,000 in 2010.
- ❑ \$330 in income tax has been withheld.
- ❑ Her total tax refund is \$3,642!

How is this possible?



Maxine's Tax Refund

EITC **\$ 2,642**

CTC **+ \$ 1,000**

Combined Credits **\$ 3,642**

+ Making Work Pay **\$ 400**

Total Tax Benefit **\$ 4,042**



American Opportunity Tax Credit

- ❑ Expands Hope Credit thru 2012
- ❑ Worth up to \$2,500
- ❑ 40% of the credit — up to \$1,000 — can be claimed even if no income tax is owed {Maxine could claim \$1,330}
- ❑ For first 4 years of college



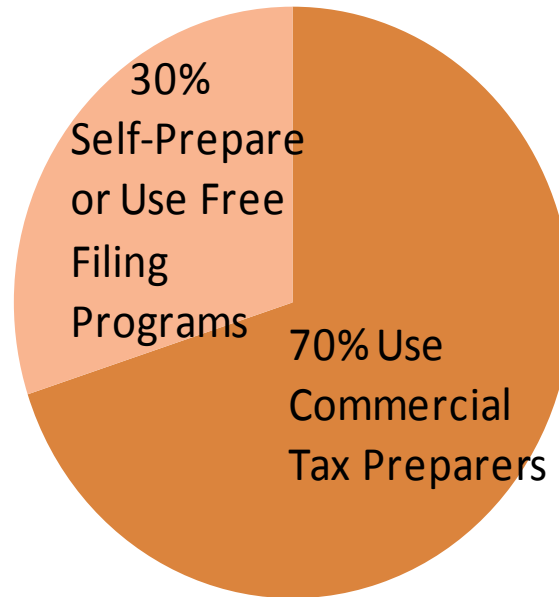
Do the EIC & CTC Count as Income for Other Public Benefits?

- New rules enacted by Congress in Dec. 2010
 - No federal tax refund counts as income for any program with federal funding
 - Refunds that are saved do not count against resource limits for 12 months after the refund is received



The High Cost of Commercial Tax Preparation

- ❑ When it's time to file a tax return, many workers seek help from a commercial tax preparer.



EITC Claimants

- ❑ Average fees range from \$85 - \$120 for e-filing.¹⁵



Volunteer Income Tax Assistance (VITA)

Volunteer Income Tax Assistance (VITA)

- ❑ Free tax filing help for low-income workers at community sites. **IRS Toll-free Locator: 1-800-906-9887**
 - 12,000 sites nationally – 177 organizations received \$11M in Community VITA Grants. President’s Budget calls for \$8M.
 - NCTC is advocating \$35 million authorization for Grants, but also will organize defense of \$8-\$12M
 - **VITA sites now listed at www.irs.gov** (key word: “site list”)



RALs – The End is Near?

Refund Anticipation Loans

IRS stops Debt Indicator -- Impact?

- H&R Block discontinues RALs
 - Bank regulators force banks to pull out
- Others continue RALs; higher costs?
- New “tricks”?
- Greatly expanded use of RACs?



Resources for You

- The Center on Budget and Policy Priorities annual Tax Credit Community Outreach Kit — *plus more:*

eitcoutreach.org

- National Community Tax Coalition (NCTC):

www.tax-coalition.org



State EITCs: Supporting Work and Reducing Poverty

March 1, 2011

Nick Johnson

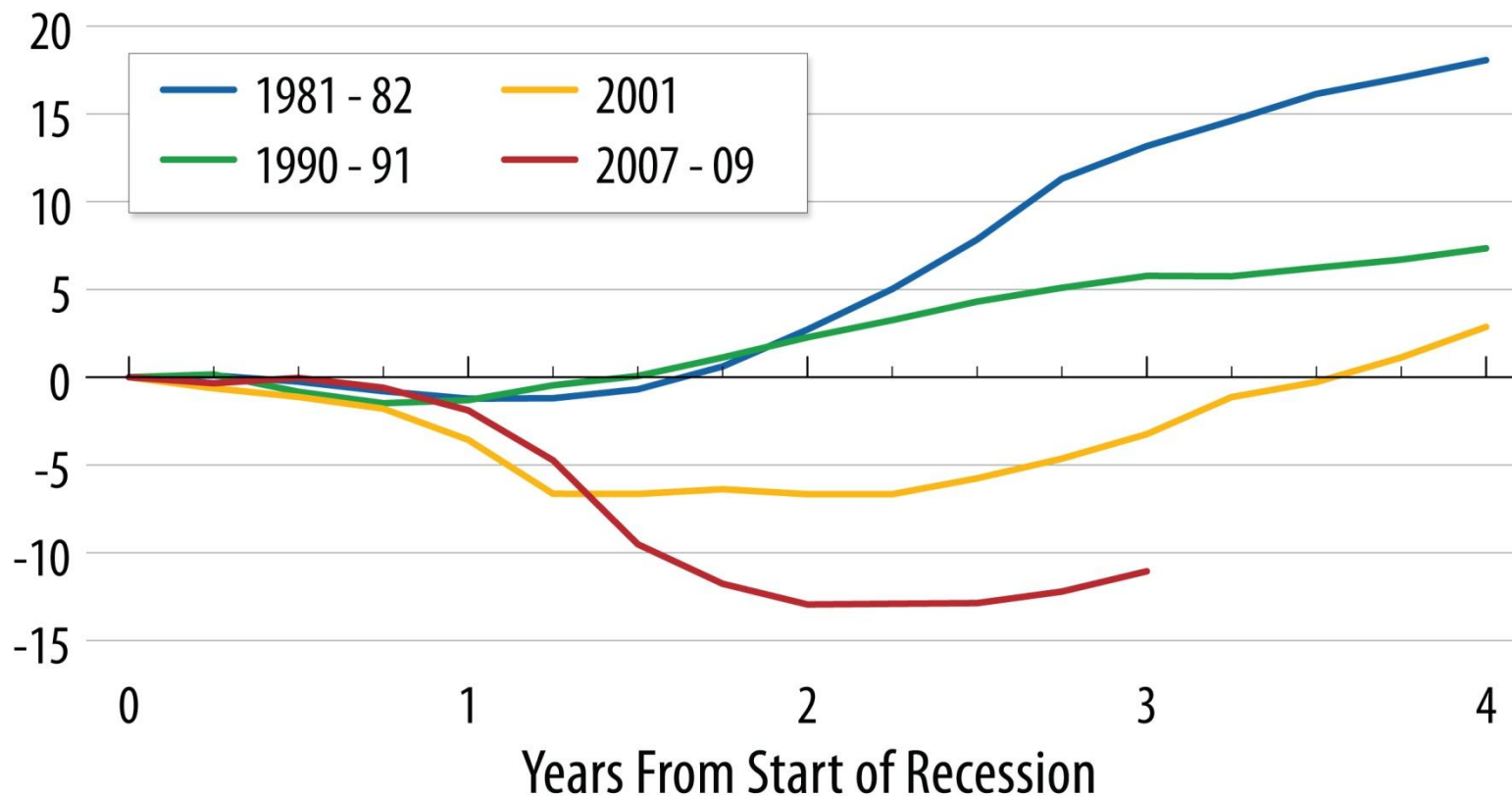
Vice President for State Fiscal Policy
Center on Budget and Policy Priorities

johnson@cbpp.org

www.cbpp.org

State Revenue Losses Far Exceed Other Recent Recessions

Percent change in state tax revenue since start of recession, adjusted for inflation



Figures represent four-quarter rolling averages.

Sources: Census Bureau, Bureau of Labor Statistics, and Nelson A. Rockefeller Institute of Government.

Note: 2010 Q4 tax revenue is CBPP projection based on Census Bureau and Nelson A. Rockefeller Institute of Government.

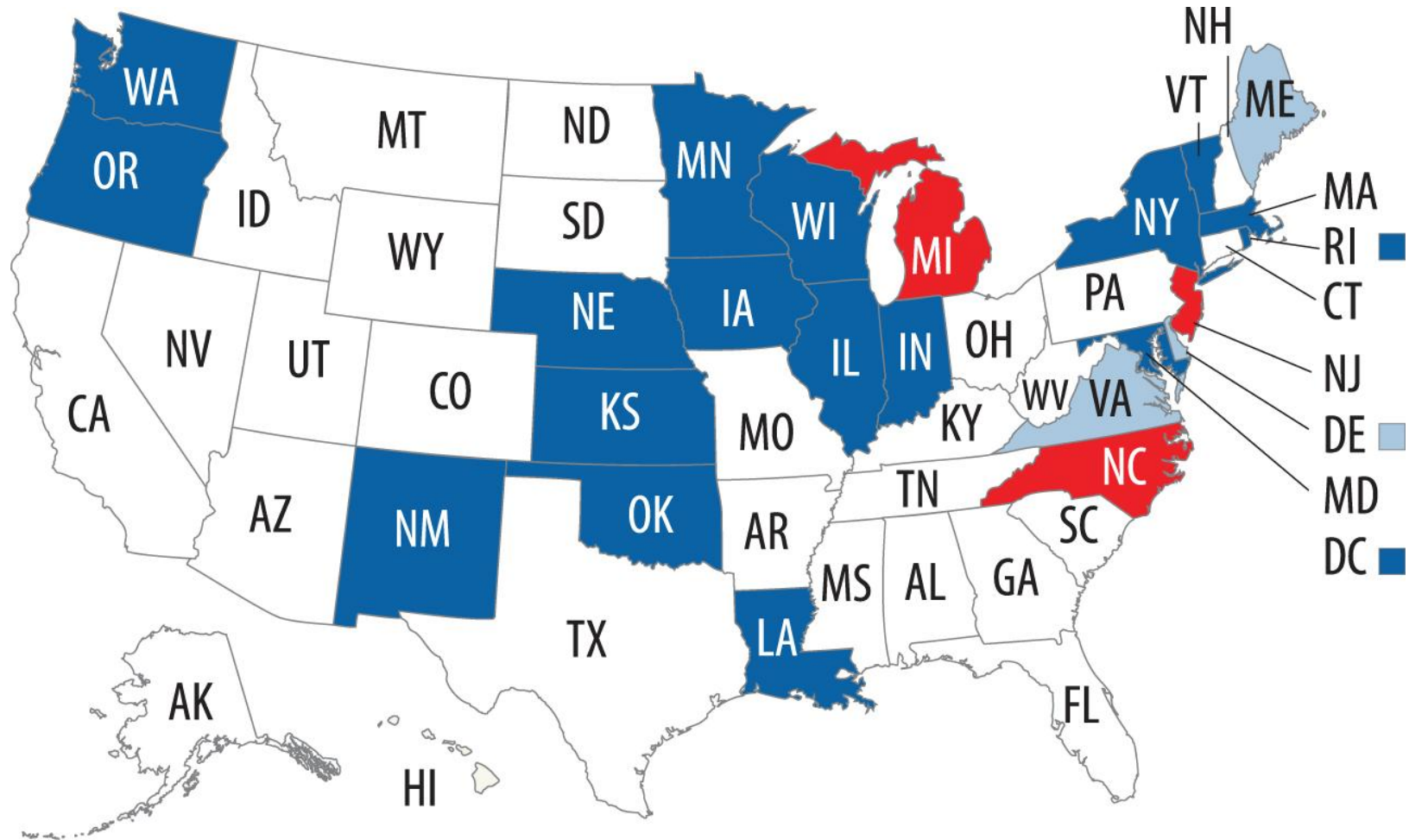
Why State EITCs Are *Essential* When Economy Is Weak

- Unemployment still exceeds 9 percent
 - More people working part-time and/or part-year
- Even a year of poverty harms kids' development
 - EITCs can help offset negative impact of spending cuts or regressive tax increases
- EITCs can put more money into local economies than other possible uses of state money

Why State EITCs Are *Threatened* When Economy Is Weak

- Budget crunch
 - General fund tax revenue is depressed
 - TANF funding is shrinking
- Increasing focus on tax code to help balance budget
- Changes in elected leadership
 - Changes in party control
 - Lots of fresh faces

State EITCs, 2011



■ State EITCs Under Attack (3) **■ Other Refundable State EITCs (18)**
■ Non-refundable State EITCs (3)

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EITC Funders Network

For more information:

- **EITC Funders Network**
 - www.eitcfunders.org
- **Center on Budget and Policy Priorities**
 - www.cbpp.org
 - www.eitcoutreach.org