

# Tax Credits for Working Families

## Resources

Annie E. Cassie Foundation  
[www.aecf.org](http://www.aecf.org)

Brookings Institute  
[www.brookings.edu](http://www.brookings.edu)

Center on Budget and Policy Priorities  
[www.cbpp.org](http://www.cbpp.org)

Comptroller of Maryland  
[www.marylandtaxes.com](http://www.marylandtaxes.com)

Internal Revenue Service  
[www.irs.gov](http://www.irs.gov)

National League of Cities  
[www.nlc.org](http://www.nlc.org)

## Financial Stability

### Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC) supports hard working low-income families and puts money back into their pockets. This refundable tax credit may equal up to a 40% pay increase for clients, which amounts to a raise of about \$1-2 dollars per hour! And clients don't have to work full-time to qualify, any earned income may be considered.



### You Should Know...

- The EITC grants over \$37 billion in tax relief annually
- The EITC boosts 4.5 million people above the poverty line each year, over half of them children
- The EITC stimulates participation in the labor force by rewarding work

**Nationwide, 15-25% of eligible workers are missing out on this significant tax credit! Make sure clients are aware of this valuable credit, and that they qualify.**

### Eligibility Requirements

Family Size	Annual Household Income Cut-off		Max Federal Credit	Max Maryland Refundable Credit
	Single	Married		
No children	\$13,440	\$18,440	\$457	\$114
1 Child	\$35,463	\$40,463	\$3,043	\$761
2 Children	\$40,295	\$45,295	\$5,028	\$1,257
3+ Children	\$43,279	\$48,279	\$5,657	\$1,414

Source: IRS, 2009; Comptroller of Maryland, 2009

EITC funds can be distributed two ways, as a refund with an annual tax return or as a raise on clients' monthly paychecks. If clients were eligible for the EITC but missed out on claiming the credit, they can file for the EITC up to 3 years back and retrieve money for those credits. Clients can also receive the Maryland Earned Income Credit (EIC), which is the refundable state credit worth 25% of the federal EITC.

Over two-thirds of EITC recipients use paid tax preparers, and often end up sacrificing their money to costly Refund Anticipation Loans (RALs). By using free tax preparation services, clients can keep more of this hard-earned refund in their wallet.

If your client owes any money to the IRS, federal, or state agencies (for example child support) then EITC funds are first credited toward debts before any cash refund is rewarded.

## Financial Stability

### Child Tax Credit

Clients may be eligible to claim additional tax credits to maximize their annual earnings. If clients have children they may be able to reduce the federal income tax they owe by \$1,000 per qualifying child, leaving more money for family expenses.

Clients may be eligible for this credit if their annual household income is less than:

- \$110,000 married filing jointly
- \$75,000 single, head of household, or qualifying widow
- \$55,000 married filing separately

The Child Tax Credit is a nonrefundable tax credit, but some people may qualify for the refundable Additional Child Tax Credit so be sure to ask for more details.



**Claiming tax credits makes cents! Advise your clients of these federal tax benefits.**

### Child and Dependent Care Expense

Relief is available for working clients with child care expenses; the Child and Dependent Care Expense credit acknowledges the necessity of these services. In order to claim the credit clients must:

- Pay for care of one or more qualifying persons
- Earn income during the year
- Pay for care so that they can work, or look for work
- Not pay for care from someone they can claim as a dependent (i.e. sibling, grandparent, niece, nephew, etc.)
- Be able to identify the care provider on their tax return

This nonrefundable credit is available for clients that have dependent children under age 13 or other dependents living in the home that are unable to mentally or physically care for themselves.

Remember, child and dependent care expenses must be work related; so clients can only receive credit for care they paid for while working or seeking work.

**Clients may be eligible for a tax credit of \$1,000 per qualifying child, and may receive credit for child care expenses.**



**Working Family Tax Credits help your clients keep more money in their pockets.**

### Tax Assistance

If clients face controversial federal income tax issues, there is help available. Low-Income Taxpayer Clinics (LITCs) provide assistance with audits, appeals, and collection disputes. Call 211 for more information.

There is no need to wait until January for tax assistance, some agencies provide free tax preparation year round. Call 211 to find help in your area.

There is much to consider when claiming tax credits, and additional credits may be available, so check out [www.irs.gov](http://www.irs.gov).