



Department of
Job and Family Services

John R. Kasich, Governor
Michael B. Colbert, Director

Family Assistance Letter #102
February 10, 2011

TO: Directors, County Departments of Job and Family Services

FROM: Trudie J. Bormann, Deputy
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SUBJECT: **Federal Tax Credits and Free Tax Filing Assistance**

Tax season is quickly approaching and we are taking this opportunity to provide updated information on available federal tax credits. Working families served by the county departments of job and family services could benefit significantly from these tax credits. These tax credits reduce the tax burden on workers, supplement wages and provide a work incentive.

The Earned Income Tax Credit (EITC) and Child Tax Credit expansions in the American Recovery and Reinvestment Act of 2009, which made more workers eligible for larger refunds, remain in effect for 2010. In addition, the Making Work Pay Credit, as well as the American Opportunity Tax Credit, will remain in effect for the 2010 tax year. The American Recovery and Reinvestment Act also added a third tier for the EITC for families with three or more children which will also remain in effect for working families in the 2010 tax year. This allows larger families to receive more dollars than families with fewer children and expands the marriage penalty relief, reducing the financial penalty some couples receive when they marry by allowing married couples to receive larger benefits.

Participants in the TANF subsidized employment program will likely be eligible for these tax credits. County agencies may want to conduct direct outreach to former and current participants to inform them of the credits and the availability of the free tax assistance.

Earned Income Tax Credit

EITC is a refundable tax credit for people with low-to-moderate incomes. The tax credit is based on a percentage of the employee's earned income and workers can receive a portion of the basic EITC added to each paycheck received during the year or claim the amount by filing a federal income tax return.

In order to qualify for the EITC, families must have the following:

- At least one qualifying child under the age of 19 or under age 24 if a full-time student who lived with the worker for more than half of the year; or

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- A child of any age with a total and permanent disability.

The tax credit available to eligible families varies depending on the number of qualifying children and income:

- Families with one qualifying child and who earned less than \$35,535 (or less than \$40,545 if married filing jointly) in 2010 may be able to take a credit of up to \$3,050.
- Families with two qualifying children and who earned less than \$40,363 (or less than \$45,373 if married filing jointly) in 2010 may be able to take a credit of up to \$5,036.
- Families with three or more qualifying children and who earned less than \$43,352 (or less than \$48,362 if married filing jointly) in 2010 may be able to take a credit of up to \$5,666.
- Workers between the ages of 25 to 64 on December 31, 2010, without a qualifying child in their home and who earned less than \$13,460 (or less than \$18,470 if married filing jointly) in 2010 may be able to take a credit of up to \$457.

For purposes of EITC and the Child Tax Credit, “qualifying child” means: sons, daughters, stepchildren, grandchildren, adopted children, brothers, sisters, stepbrothers, or stepsisters as well as descendants of such relatives and foster children who are placed with the worker by an authorized government or private placement agency.

Many legal immigrants who are employed can qualify for the EITC as long as they meet eligibility requirements.

Child Tax Credit

The Child Tax Credit is a credit for taxpayers raising at least one qualifying child. Very low income families will now qualify for this credit.

In order to qualify for the Child Tax Credit, families must have the following:

- At least one qualifying child under the age of 17 who lived with the worker for more than half of the year; and
- Earned more than \$8,500 to receive a credit of up to \$1000 per qualifying child.

Making Work Pay Credit

The Making Work Pay Credit is a credit worth up to \$400 for individuals and \$800 for married couples filing jointly, regardless of whether they are raising children. To qualify for the Making Work Pay Credit, the worker must have a social security number and cannot be claimed as a dependent by another individual in the 2010 tax year.

American Opportunity Tax Credit

The American Opportunity Tax Credit can make education more affordable for low-income families and students who might not otherwise be able to attend college. The American Opportunity Tax Credit is available for students who meet the following requirements:

- Are in their first four years of college, enrolled at least half-time, and pursuing an undergraduate degree;
- Have paid for “qualified educational expenses” such as tuition (after tax-free contributions) and course-related materials for themselves, spouse or dependents; and
- Have adjusted gross income in 2010 of less than \$80,000 or \$160,000 if married.

Impact on Public Assistance

Any refund received because of these tax credits will not be used to determine an individual’s eligibility for Ohio Works First; Prevention, Retention and Contingency Programs; Food Assistance; Disability Financial Assistance; Refugee Cash Assistance; Medicaid; child care benefits; Supplemental Security Income or low-income housing. The total amount of a refund received after December 31, 2009, regardless of whether the refund is the result of a refundable credit, over-withholding, or both is disregarded as income and resources for purposes of determining eligibility for benefits or assistance in all federal programs or any state or local program financed in whole or in part by federal dollars. The resource exclusion lasts for 12 months from the date of receipt of the refund.

Outreach material

The “Money Talks! Community Outreach Kit” is a packet of materials that is available from the Center on Budget and Policy Priorities. It is a valuable tool for organizations to inform communities and families about the federal tax credit opportunities and free low-income tax preparation assistance. In addition to tax credit outreach materials, the kit includes easy-to-read fact sheets on all of the credits; posters and envelope stuffers in English and Spanish; and flyers in many languages. Counties may request or download a free copy of this kit by accessing the Center on Budget and Policy Priorities website at <http://eitcoutreach.org>.

Free tax assistance

Free assistance in preparing taxes is available for those who need it through the Ohio Benefit Bank. The Ohio Benefit Bank has trained counselors and staff across the state to help prepare and file federal and Ohio income tax returns electronically at no cost to eligible Ohioans. Free income tax assistance is also available through an online, self-service program. For additional information on the Ohio Benefit Bank and to find a local site, access the Ohio Benefit Bank website at <http://www.ohiobenefits.org/> or call toll-free at 1-800-648-1176.

The Internal Revenue Service also sponsors a free Volunteer Income Tax Assistance (VITA) program to help low-income workers complete their tax forms. The VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping centers and other convenient locations. To locate the nearest VITA site, call the Internal Revenue Service toll-free at 1-800-906-9887 or visit the web site at <http://www.irs.gov>.

Seniors may get help filing their tax returns by calling the American Association of Retired Persons (AARP) Tax Counseling at 1-800-829-1040. To locate the nearest AARP tax site, call toll-free at 1-888-227-7669 or visit the website at <http://www.aarp.org/money/taxaide>.

If you have questions regarding this letter, please direct them to the TANF-FSTA e-mailbox or by calling 1-866-886-3537 (option 6).

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