



Department of
Job and Family Services

Ted Strickland, Governor
Douglas E. Lumpkin, Director

Family Assistance Letter # 92
OFFICE OF FAMILIES AND CHILDREN
February 9, 2010

TO: Directors, County Departments of Job and Family Services

FROM: Trudie J. Bormann, Assistant Deputy Director
Family Assistance, Office of Families and Children

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 the tax credits that reduce the tax burden, supplement wages and provide a work incentive.

The American Recovery and Reinvestment Act of 2009 expanded the Earned Income Tax Credit and the Child Tax Credit as well as created two new tax credits: the Making Work Pay Credit and the American Opportunity Tax Credit.

Earned Income Tax Credit

The 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. Larger benefits are now available to families with three or more children. For many working parents, receiving this additional amount of money in their paycheck can make a difference in paying the rent, buying groceries and meeting other day-to-day needs.

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

30 East Broad Street
Columbus, Ohio 43215
jfs.ohio.gov

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- Families with one qualifying child who earned less than \$35,463 (or less than \$40,463 if married filing jointly) in 2009 may be eligible for a credit of up to \$3,043.
- Families with two qualifying children who earned less than \$40,295 (or less than \$45,295 if married filing jointly) in 2009 may be eligible for a credit of up to \$5,028.
- Families with three or more qualifying children who earned less than \$43,279 (or less than \$48,279 if married filing jointly) in 2009 may be eligible for a credit of up to \$5,657.
- Workers between ages 25 and 64 without a qualifying child who earned less than \$13,440 (or less than \$18,440 if married filing jointly) in 2009 may be eligible to take a credit of up to \$457.

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
- Earn more than \$8,500 to receive a credit of up to \$1000 per qualifying child.

For purposes of the EITC and Child Tax Credit, “qualifying child” includes: 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.

Making Work Pay Credit

The Making Work Pay Credit is a new tax credit worth up to \$400 for individuals and \$800 for married couples filing jointly, regardless of whether they are raising children. Less income tax is withheld, resulting in increased take-home pay. While many workers receive this credit with each paycheck, some families and individuals will need to claim it on their 2009 federal income tax return.

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 2009 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 Temporary Assistance for Needy Families (TANF), Food Assistance, Disability Financial Assistance (DFA), Refugee Cash Assistance (RCA), Medicaid, Child Care benefits, Supplemental Security Income or low-income housing. However, if the refund is received and not spent within a certain period of time, it may count as a resource and affect those programs with a resource limit.

Outreach material for tax credits

The "Money Talks! Community Outreach Kit", is available to download from the Center on Budget and Policy Priorities website. 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 download a free copy of this kit by accessing the Budget and Policy Priorities website at <http://eitcoutreach.org>.

Available free tax assistance

Free assistance in preparing taxes is available for those who need it through the Ohio Benefit Bank. The 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 Benefit Bank and to find a local site, access the Ohio Benefit Bank website at <http://www.OBB.ohio.gov> 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 1-800-829-1040 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).

c: Douglas E. Lumpkin, Director
Anthony Trotman, Chief of Staff
Michael McCreight

Families and Children staff
Joel Potts, OJFSDA
ODJFS Deputy Directors