

# ***Free Tax Preparation & Tax Credits for Families with Young Children***

**How the EITC and VITA Can Be Gateways to Financial Stability**

Region IV  
Family Financial Stability Summit  
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# What Is The Earned Income Tax Credit (EITC)?

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- **A federal tax benefit to help low- and moderate-income families and individuals increase their financial stability.**
- **Reduces taxes for workers**
- **Supplements wages**
- **Makes work more attractive than welfare**
- **Fully refundable credit**



# Why Is The EITC So Important?

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- **EITC remains the single largest federal aid program for working families.**
- **EITC provides more \$\$ to working families than all other federal programs combined.**
- **EITC is the most effective method to pull a low-income family out of poverty (in 2008, this was 5 million households, including 2.6 million children).**



# Did You Know...?

State	Number of Individuals Filing for EITC			EITC Amount Received		
	2008	2009	% Change	2008	2009	% Change
AL	507,475	546,077	8%	\$1,210,273,261	\$1,381,561,894	14%
FL	1,758,927	1,984,773	13%	\$3,684,613,416	\$4,441,461,502	21%
GA	975,770	1,075,915	10%	\$2,266,412,677	\$2,648,813,960	17%
KY	375,928	409,185	9%	\$754,514,171	\$885,879,296	17%
MS	385,713	410,787	7%	\$942,452,917	\$1,062,233,203	13%
NC	834,021	914,519	10%	\$1,772,315,001	\$2,069,738,142	17%
SC	463,369	499,282	8%	\$1,004,024,905	\$1,154,521,843	15%
TN	607,686	664,847	9%	\$1,279,686,469	\$1,510,007,694	18%



# Why is Outreach Needed?

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## *EITC Eligible Workers*



75 – 80% Claim EITC

20 - 25% Do Not  
Claim EITC



# EITC Increases

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***For Tax Year 2010:***

<b>Number of children:</b>	<b>Income less than (married):</b>	<b>EITC up to:</b>
3 or more children	\$43,354 (\$48,362)	\$5,666
2 children	\$40,363 (\$45,373)	\$5,036
1 child	\$35,535 (\$40,545)	\$3,050
No children	\$13,460 (\$18,470)	\$457

- ◆ Investment income cannot exceed \$3,100.



# Who Qualifies for the EITC?

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- **Families and individuals who:**
  - **Have a social security number (every household member)**
  - **Work full-time, part-time or self-employed**
  - **Meet income guidelines**
- **Eligible children must be a “qualifying child” (age, residency, and relationship tests)**
  - **Some very low-income workers without a “qualifying child” may be able to claim the EITC**



# How Do You Claim the EITC?

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- You ***must*** file a federal tax return:
  - If you have children:
    - Form 1040 or Form 1040A – not 1040EZ
    - EIC – Schedule EIC
  - If you do not have children:
    - Form 1040, 1040A, or 1040EZ
    - EIC – Schedule EIC
  
- Eligible workers can claim EITC refunds for up to 3 previous years.
  
- **Remember: To be EITC-eligible, must have a SSN, earned income, and meet income guidelines. Children must meet qualifying tests.**



*How Can Families  
Easily Access the  
EITC?*



# Volunteer Income Tax Assistance (VITA)

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- VITA is an alternative to high-cost commercial tax preparation services.
- VITA provides **FREE** tax preparation services to households that earn less than \$49,000
- Volunteer-driven program. Volunteers are IRS-certified.
- IRS partners with local Coalitions and organizations in each of the eight states to provide this service.
- Objectives of VITA:
  - Promote tax understanding/awareness
  - Prepare accurate returns free for qualified taxpayers
  - Encourage personal asset-building through tax incentives



# Volunteer Income Tax Assistance (VITA)

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- **VITA helps clients access:**
  - **EITC**
  - **Child Tax Credits**
  - **Educational Credits**
  - **Other credits**
  
- **VITA helps clients avoid predatory practices (such as high cost tax prep services, rapid refund loans, check cashing facilities, etc.)**
  
- **VITA offers free asset-building services, such as:**
  - **Access to savings bonds**
  - **Split refunds between checking and savings accounts**
  - **If client does not have a bank account:**
    - ✓ **Access to financial institutions**
    - ✓ **Access to pre-paid debit cards**



# How You Can Get Involved

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- **Conduct an open dialog (all year long) with your clients:**
  - **Encourage clients to use the free tax preparation services at local VITA sites**
  - **Discuss alternatives to high-cost refund anticipation loans (RALs)**
  - **Educate clients on the out-of pocket costs associated with commercial tax preparers**
  
- **To find the nearest VITA site in your community:**
  - **Call 1-800-906-9887**
  - **Visit [www.irs.gov](http://www.irs.gov), and search for “VITA Sites.” This will list all VITA sites by state.**



# Thank You!

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