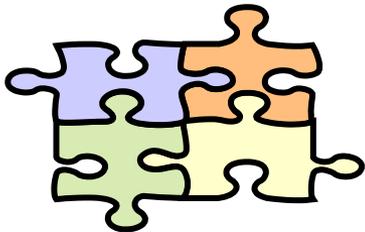


Connecting the Pieces for Tax Credit Outreach

John Wancheck, Center on Budget and Policy
Priorities

Beckie Harrell, IRS Stakeholder Partnerships,
Education and Communication (SPEC)

Karen Heisler, Rural Dynamics Inc.



Your Money.
You Earned It.



**Now
Claim It!**

Promote the Earned Income Credit And Child Tax Credit

Date: November 30, 2011

Presentation by: John Wancheck

Organization: Center on Budget and Policy Priorities

Phone: 202-408-1080

Email: wancheck@cbpp.org



What are the Earned Income Credit (EIC) and the Child Tax Credit (CTC)?

- Federal tax benefits for low-income working families and individuals

Purpose:

- Offset income and payroll taxes
- Supplement wages
- Provide a work incentive

Key Features:

- Reduces taxes workers may owe
- Even if workers don't owe taxes, they may be eligible
- Some families can claim both credits



How do Workers Use the Credits?



Child Care



Rent & Utilities



Transportation



Auto Repairs



Basic Needs



Medical Expenses

The credits help workers keep working and care for themselves and their children.



Why is Outreach Needed?

EIC Eligible Workers



75 – 80% Claim EIC

20 - 25% Do Not
Claim EIC



Impact of the EIC and CTC



Did You Know...?

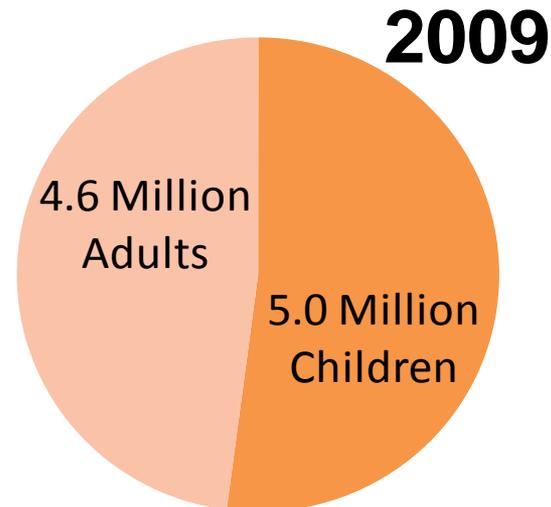
The Earned Income Credit (EIC) Boosts Workers' Income

- As much as a 45% pay increase
- \$8/hour job → \$10+/hour job



Did You Know...?

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



How Much Can Workers Earn and Still Qualify for the EIC?

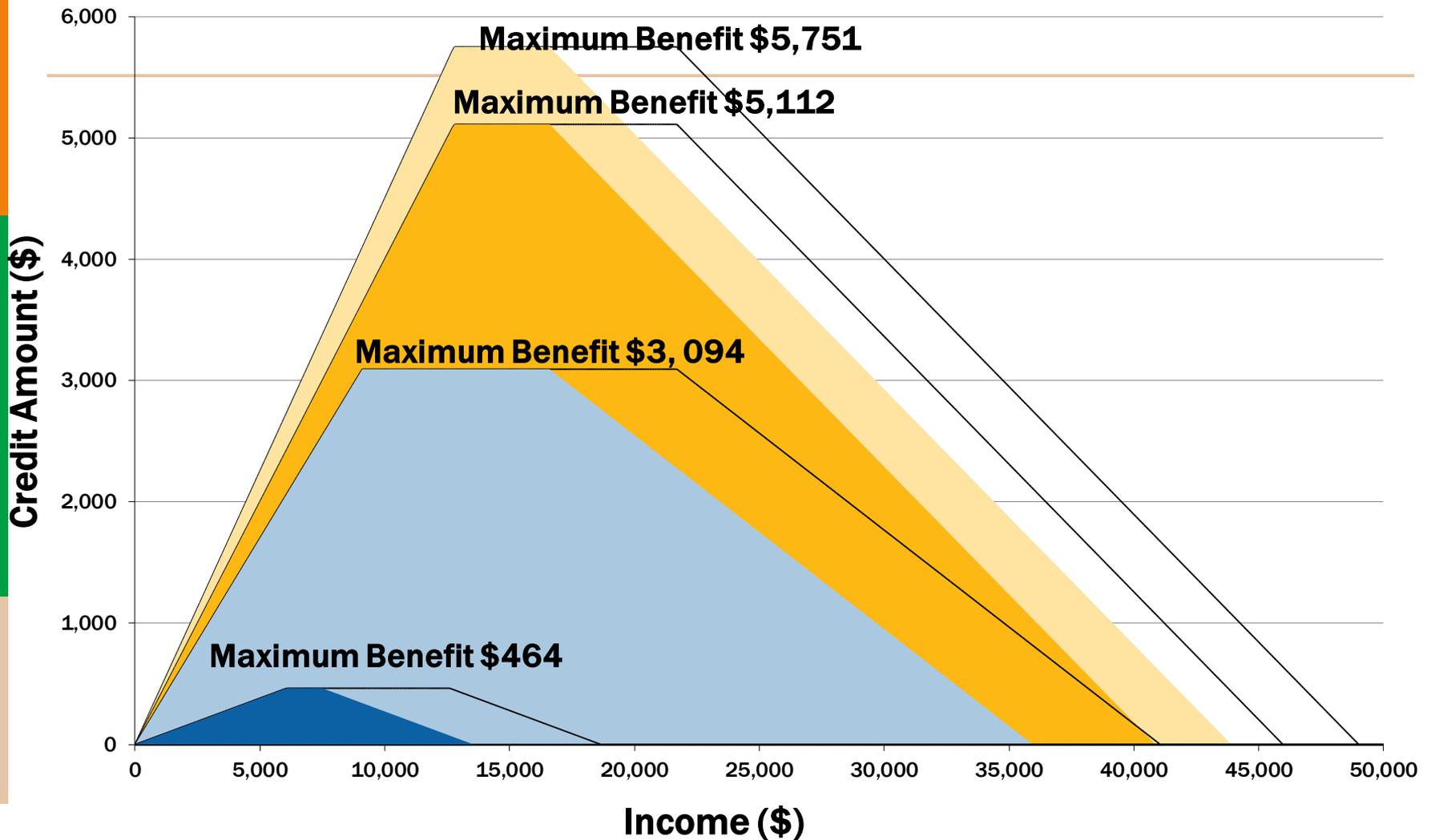
For Tax Year 2011:

Number of children:	Income less than:	EIC up to:
3 or more children	\$43,998	\$5,751
2 children	\$40,964	\$5,112
1 child	\$36,052	\$3,094
No children	\$13,660	\$464

- Income limits for married workers are \$5,080 higher than these amounts.
- Workers not raising children must be between the ages of 25 and 64.
- Investment income cannot exceed \$3,150.



The Federal EIC in Tax Year 2011



 No Children  1 Child  2 Children  3 or More Children

 Married Filing Jointly ₁₀

EIC Benefits for Tax Year 2011 at Various Income Levels

2011 household income	EIC for single workers not raising a child	EIC for single workers raising one child	EIC for single workers raising two children	EIC for single workers raising three or more children
\$ 5,000	\$383	\$1,700	\$2,000	\$2,250
\$ 8,000	\$433	\$2,720	\$3,200	\$3,600
\$10,000	\$280	\$3,094	\$4,000	\$4,500
\$12,000	\$127	\$3,094	\$4,800	\$5,400
\$14,000	\$0	\$3,094	\$5,112	\$5,751
\$16,000	\$0	\$3,094	\$5,112	\$5,751
\$20,000	\$0	\$2,565	\$4,415	\$5,054



How Much Can Workers Earn and Qualify for the CTC?

Workers who earned *more than* \$3,000 in 2011 can get a CTC refund.

Income less than:	Filing status:
\$110,000	Married
\$75,000	Single or Head of Household
\$55,000	Married filing separately

The CTC is worth *up to* \$1,000 for each qualifying child.



The Additional Child Tax Credit (ACTC)

- ❑ The ACTC provides a refund for workers who don't owe income tax.
- ❑ Workers must earn over \$3,000 annually
- ❑ Credit is a percentage of earnings over \$3,000



What Counts as Earned Income?

Includes:

- ❑ Wages, salaries, and tips
- ❑ Net earnings from self-employment
- ❑ Union strike benefits
- ❑ Employer-paid disability benefits
- ❑ Military combat pay

Doesn't Include:

- ❑ Non-taxable earned income
 - Payroll deductions for dependent care or retirement plans
- ❑ Public benefits
 - Social security, SSI, welfare
- ❑ Other income, such as:
 - Unemployment
 - Alimony and child support
 - Interest on bank accounts



How do the Credits Work?



Meet Maxine

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



- ❑ She earns \$19,000 this year.
- ❑ \$310 in income tax has been withheld.
- ❑ Her total tax refund is \$3,725!

How is this possible?



Maxine's Tax Refund

EIC	\$ 2,725
CTC	<u>+ \$ 1,000</u>
Total Tax Benefit	\$ 3,725



Maxine's Tax Refund

EIC **\$ 2,725**

CTC (\$1,000)

Return of income taxes withheld **\$ 310**

Additional CTC **+ \$ 690**

Total Tax Benefit **\$ 3,725**

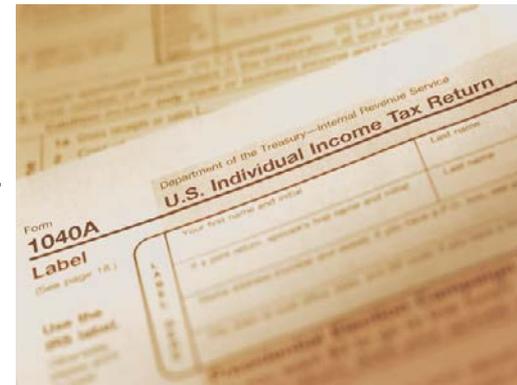


How Do You Claim the Credits?

- You ***must*** file a tax return!
 - Form 1040 or Form 1040A – not 1040EZ
 - EIC - Schedule EIC
 - CTC - Form 8812 – for CTC

- Workers not raising children can file any form

- Eligible workers can claim EIC and CTC refunds for up to 3 previous years



EIC and CTC Rules — What are the Differences?



Who Qualifies for the EIC and CTC?

- Workers who are:
 - Working full-time, part-time or self-employed
 - Receiving public benefits
 - Single or married
 - Raising a “qualifying child”
 - Some very low-income workers without a “qualifying child” may be able to claim the EIC
 - Immigrants legally authorized to work

CTC ONLY:

- Immigrant workers with Individual Taxpayer Identification Numbers (ITINs)
- Some non-custodial parents



Definition of a “Qualifying Child”

	EIC	CTC
Relationship	Son, daughter, grandchild, stepchild, adopted child, brother, sister, stepbrother, stepsister (or their descendents) or foster child <i>placed by a government or private agency</i>	
Residence	Must live with worker in the U.S. for more than half the year	
Age	Under 19 or 24 if full-time student or any age if totally and permanently disabled	Under 17

- If you are a qualifying child, you cannot claim the EIC yourself.
- If a child is claimed for both the EIC and CTC, the same worker must claim both credits.



Can Immigrant Workers Claim the Tax Credits?



- ❑ **To claim the EIC and CTC:**
 - Must meet the income requirements
 - Child must live with the worker **in the U.S.** for more than half the year

- ❑ **EIC ONLY:**
 - Worker, spouse and child must each have an SSN that authorizes work

- ❑ **CTC ONLY:**
 - Worker, spouse and child must have either an SSN or ITIN



Other Important Tax Benefits



American Opportunity Tax Credit

- Expands & renames Hope Credit
- Worth up to \$2,500
- 40% of the credit — up to \$1,000 — can be claimed even if no income tax is owed
- Can be claimed for first 4 years of college



Child and Dependent Care Credit

- ❑ Federal tax credit for expenses to care for a child or a dependent with disabilities in order to work.
 - Reduces income tax – not a refundable credit
- ❑ Maximum expenses:
 - \$3,000 for one child, \$6,000 for two or more
- ❑ Credit amount:
 - 20 - 35% of expenses – depending on income
- ❑ 28 states also have a credit – in 12 states the credit is refundable



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



Who Might Miss Out on the EIC and CTC?

- ❑ Workers not required to file returns

In 2011:

- \$19,500 for a married couple
- \$12,200 for head of household
- \$9,650 for a single filer

- ❑ Workers just entering labor force
- ❑ New parents
 - Foster, adoptive
- ❑ Divorced or separated custodial parents
- ❑ Workers newly eligible due to a reduction in income or loss of employment



Reaching Out to Promote the Credits



Everyone Can Help Promote the Tax Credits

- ❑ You do NOT have to be a tax expert to help families claim their credits.
- ❑ Incorporate outreach activities into your routine work – and encourage your partners to do the same.



Promoting the Credits

Build partnerships to connect with eligible workers:

- ❑ Nonprofit health and human services providers
- ❑ Community organizations and institutions
- ❑ Faith-based groups
- ❑ Civic/service organizations
- ❑ Labor unions
- ❑ State and local government agencies (esp. public benefits)
- ❑ Employers and local businesses
- ❑ Utility companies
- ❑ Media
- ❑ IRS



The Center on Budget and Policy Priorities' **National Tax Credit Outreach Campaign Can:**

- ❑ Provide Tax Credit Outreach Kits
- ❑ Arrange a training or conference call/webinar to help organizations develop an outreach strategy
- ❑ Connect you to online resources:
 - EIC/CTC flyers in 21 languages
 - EIC Estimator
 - Searchable Outreach Strategies Database
 - Sample Press Release
 - EIC & CTC FAQs and much more!

www.eitcoutreach.org



Connecting with a Coalition

- ❑ There may be one in your hometown!
- ❑ Directory of local partnerships, by state:
The National EITC Partnership website:
www.cbpp.org/eitc-partnership
 1. Spreadsheet with coalition members, chairperson to contact
 2. Goals and activities of coalition





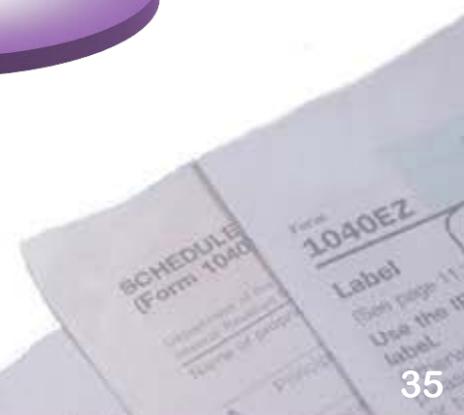
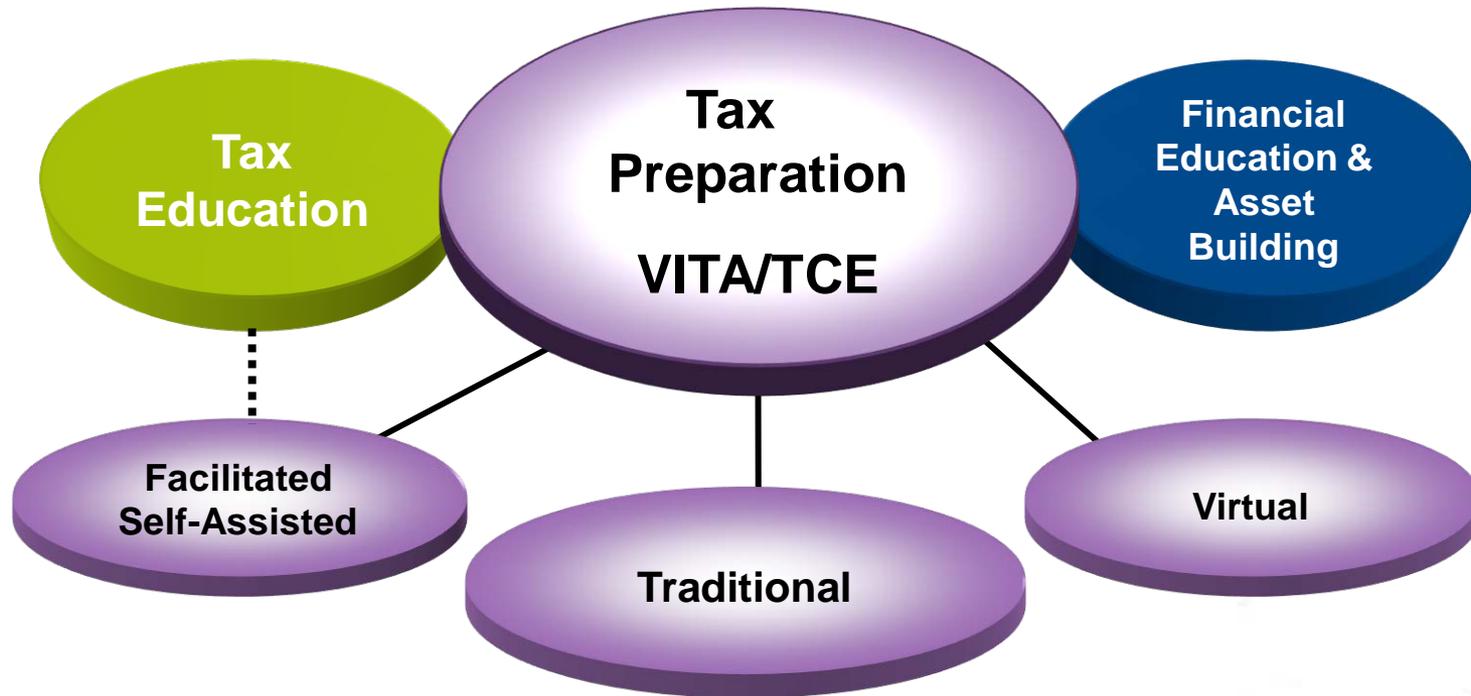
Internal Revenue Service
United States Department of the Treasury

Alternative Tax Prep Models

we make taxes easier

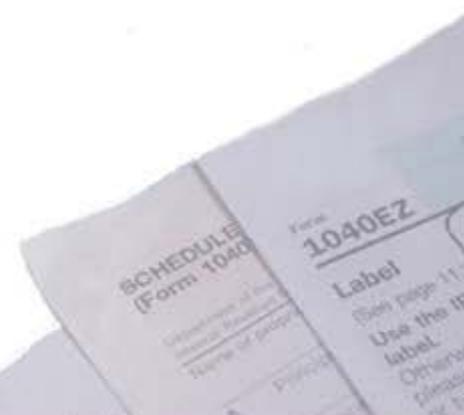
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SPEC Business Model



The Market for Free Volunteer Tax Services is Substantial

- 19 million low-income taxpayers (<\$36K) indicated an awareness and desire for volunteer tax services
 - According to IRS Research (Benchmark Survey)
- VITA/TCE programs have served just over 3 million taxpayers annually since 2007
- Based on the above, more than 16 million taxpayers must find alternatives to free volunteer tax prep



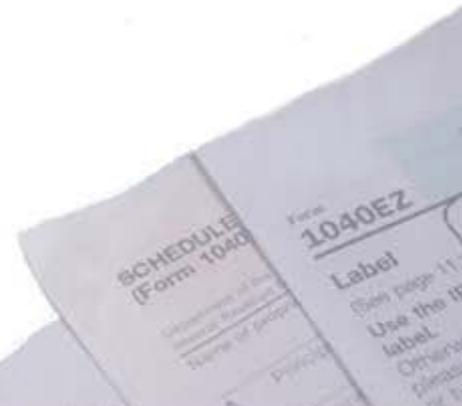
Partners are Challenged to Grow With Limited Resources

- There are 12,000 VITA and TCE sites nationwide
- Over 88,000 volunteers prepared more than 3.2 million returns in 2011
- Many partners are at capacity with long lines of taxpayers awaiting for services
- Limited resources and available volunteers can impact a partner's ability to increase return counts



Filing Taxes is a Crucial Component of Financial Education

- Teaching taxpayers to file their own return builds knowledge about their taxes and how they are calculated
- Empowering taxpayers is the first step towards filing future returns independently



Facilitated Self-Assistance (FSA): What is it?

- Similar to other forms of assisted self-service (e.g. gas station, grocery store)
 - One-to-many model (versus traditional one-to-one)
- *Taxpayers* input their own return data
 - Taxpayers use interview-based software
 - Certified volunteers are available at all times
 - VITA Basic is minimum volunteer certification
- Computers can be set up:
 - As a stand-alone model; or
 - At an existing VITA/TCE site to increase capacity at peak times



What are the benefits of using a facilitated model?

- For sites:
 - Prepare more returns
 - Target more taxpayers with complex returns for direct help
 - Reduce wait times during peak
 - Provide taxpayers with a choice of service
 - Returns counted towards site total
 - Federal and state returns are free
 - Can use one or multiple SIDNs (for mobile FSA sites)
- For taxpayers:
 - Leverage current computer skills
 - Access to brand-name tax software
 - Ability to consult with a certified VITA volunteer for questions
 - Increased knowledge about their return
 - Increased confidence upon completion of return
 - First step towards self-sufficiency in return filing



How does FSA differ from Traditional VITA/TCE?

- No EFIN application necessary
 - Online providers use pre-approved list of EFINS to transmit returns
- Taxpayer inputs return, therefore:
 - No Intake Process (13614-C) Required
 - Screening will be needed for eligibility
 - No Quality Review of Completed Return
 - cursory review of return has proven beneficial for taxpayers and sites



How do taxpayers file their return?

- Taxpayers utilize online software provided by members of the Free File Alliance (FFA)
 - H&R Block
 - Intuit (TurboTax)
 - TaxSlayer
 - TaxAct
 - FileYourTaxes
- Additional software models
 - Beehive
 - I-CAN
 - The Benefit Bank



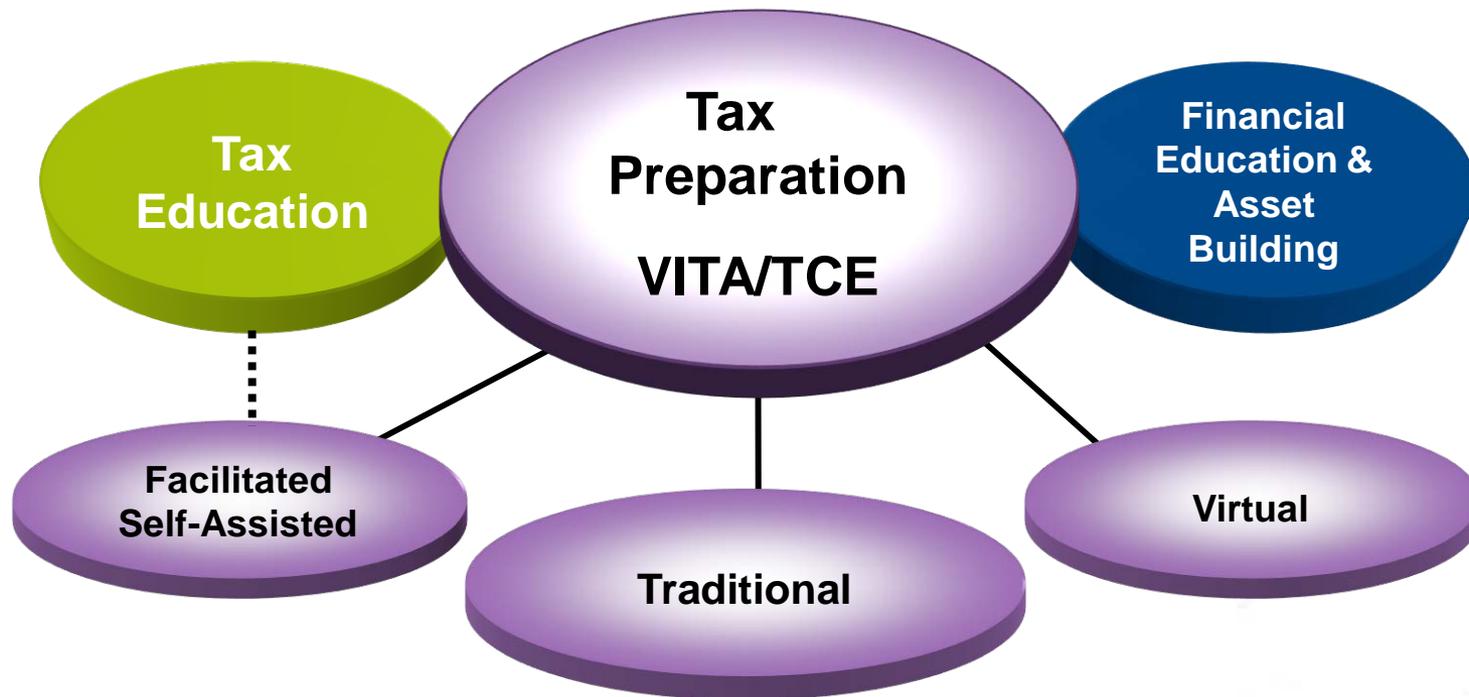
FSA Map for 2012

AK-
FAST

HI-
Beehive

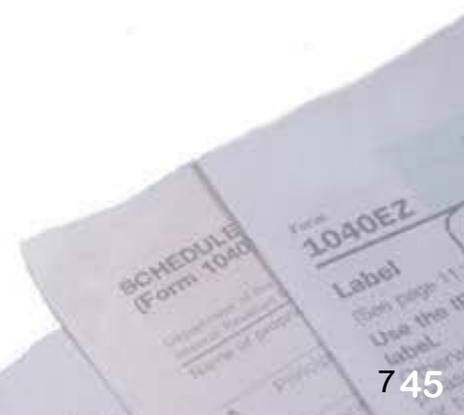


SPEC Business Model



What are barriers to access traditional VITA/TCE sites?

- Taxpayer and partners are located in remote rural areas
- Lack of certified volunteers
- Taxpayers with Disabilities
- Transportation barriers
- Language barriers
- Hours of Availability



What is Virtual VITA/TCE?

- **Two organizations partner through the incorporation of two components:**
 - intake site
 - preparation site
- **SPEC advocates new methods for return preparation**
 - Video Conferencing- SKYPE
 - More traditional technology- fax, email
- **Territory Manager Approval Required**
 - Operating Plan
 - Flexibility
 - Support

SCHEDULE
(Form 1040)

Form
1040EZ

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(See page 11)

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Benefits

- **Expanded Service**
 - Keep one-person sites open
 - Inner city/urban and rural locations
 - Underserved areas
- **Computer Utilization**
- **Volunteer Utilization**
 - Solution for “no show” problem or slow time
 - Better skill matching
 - Bridge for Certified volunteers at Intake Sites with no tax preparation

SCHEDULE
(Form 1040)

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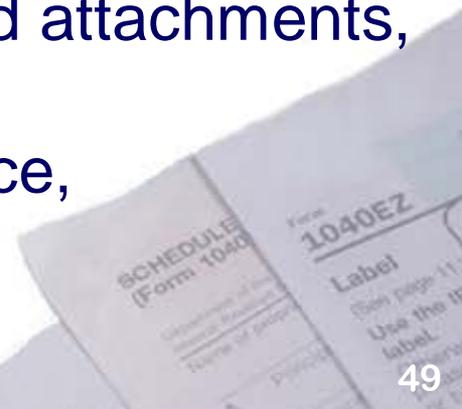
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Intake Site Requirements

- **Volunteer**
 - Volunteer not required to be certified
 - Minimal training required
 - Must sign Volunteer Agreement
- **SIDN**
 - Required for each intake Site
 - Profiled as a virtual site in SPECTRM
- **EFIN**
 - Not required for Intake Site
 - EFIN assigned to preparation site used on returns

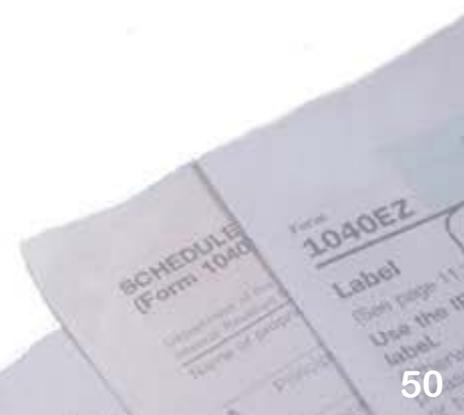
Intake Site Procedural Overview

- Explains process and secures signed Taxpayer Consent Form
- Verifies Taxpayer Identity
- Assists with preparation of Intake form
- Obtains taxpayer's required documents
- Coordinates appointment schedule
- Forwards copies of taxpayer documents to the preparation site
- Assists Taxpayers with signing required forms
- An IRS-certified volunteer at the Intake site may do the Quality Review
- Faxes, e-mails or mails the 8879s, with required attachments, to Preparation Site for e-file transmission.
- Does not answer tax questions or give tax advice, *unless* IRS Certified



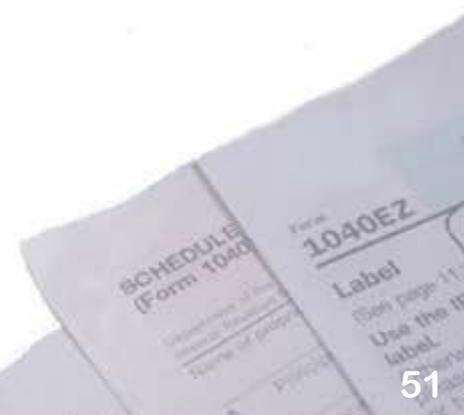
Preparation Site Requirements

- **Sites**
 - Utilize existing sites as preparation sites
 - Follow the Quality Site Requirements in Pub 1084
 - Conform to the software contract requirements
- **Volunteers**
 - Requires Certified volunteers
 - Conduct an interview with the taxpayer
 - Conduct a Quality Review
- **SIDN**
 - Use the SIDN assigned to the Intake Site
- **EFIN**
 - 1 EFIN whether traditional or virtual



Preparation Site Procedural Overview

- Coordinate volunteer schedules
- Reviews Intake sheet and taxpayer documents
- Contacts taxpayer to conduct interview
- Prepares the tax return
- Contacts taxpayer to conduct a Quality Review of the return
- Sends the tax return back to the Intake Site for signature
- E-file tax return upon obtaining signed Form 8879



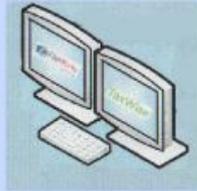
Preparation Site



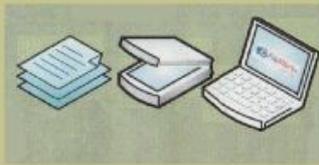
3 View the taxpayer documentation from FileWorks Online

Share TaxWise screen with taxpayer at remote cite via Skype. Complete return with taxpayer viewing Skype.

5 Perform a Quality Review with the taxpayer in TaxWise Online via Skype.



1 Complete Taxpayer Intake Form and Interview Sheet and gather all taxpayer documents



2 Use FileWorks Scanning to upload the Taxpayer intake form, interview Sheet and taxpayer documents to the FileWorks Online System. Connect taxpayer with preparation site via Skype audio & screen share.

Watch TaxWise screen as tax preparer completes return via Skype.



6 Using TaxWise Online, remote site facilitator prints return, gets signature on 8879, and notifies preparation site that return is ready to efile.



Remote Intake Site

Virtual VITA

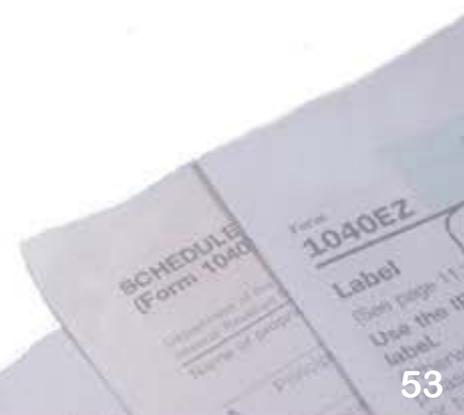
Courtesy of Utah State University Extension/
Mountainland VITA Coalition-Utah

Security

Document Exchanges

Security Resources

- **Fax**
 - **Secured e-Mail**
 - **Mail**
 - **UPS**
 - **USPS**
 - **FED EX**
- **Pub 4299**
 - **Fax Vault**
 - **File Works**



Pros & Cons

Pros

- **Cost Savings**
 - Transportation Costs
 - Training
 - Computer Utilization

Cons

- **New Costs**
 - Fax / Postage
 - Scanner / Copier
 - Conferencing
Cameras

SCHEDULE
(Form 1040)

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Potential Advantages of Alternative Models

- **Makes services available to more Taxpayers**
- **Better allocation of volunteer time**
- **Better utilization of equipment**
- **Requires less physical space**

SCHEDULE
(Form 1040)

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(See page 11)
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How do sites get started?

- Create a plan:
 - Identify partners- Virtual
 - Location for computers, equipment
 - Hours of operation
 - Number of computers and volunteers
- Contact your SPEC Relationship Manager
- Create marketing plans to target potential clients



What is SPEC's role?

- Identify areas with low coverage rates
- Reach out to partners in these areas
- Assist in matching and linking partners
 - Intake Site
 - Preparation Site
- Provide support to ensure success
- SPEC—HQ will coordinate to obtain an SIDN ensure you have the customized links needed to count your returns
- Ensure each computer terminal has access to the unique URL for your site

SCHEDULE
(Form 1040)

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Questions?

- FSA and Virtual

- Ron Smith— Chief, SPEC/Strategic Planning and Development (SPD)
 - 404-338-8512
 - Ron.H.Smith@irs.gov
- Dan Maier— Tax Analyst, SPEC/SPD
 - 404-338-9021
 - Daniel.F.Maier@irs.gov

- Virtual Only

- Melissa Jensen—CAP Utah
 - 801-433-3025 Ext. 7
 - mjensen@caputah.org
- Carla Gainey—Accountability Minnesota
 - 651-287-0187 EXT 104
 - cgainey@accountabilitymn.org
- Beckie Harrell—Senior Tax Analyst, National Partnerships
 - 404-338-8325
 - rebecca.harrell@irs.gov



EITC Outreach Basics

Presented by:
Karen Heisler
Tax Help Montana



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www.RuralDynamics.org

1.877.275.2227

Rural Dynamics Incorporated

We provide services and develop partnerships to help youth, individuals, and families achieve economic independence.

Private, non-profit, founded in 1968
The only accredited agency in Montana
Member of the National Foundation for Credit Counseling



NATIONAL FOUNDATION FOR
CREDIT COUNSELING

Financial Literacy by People Who Care



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Why EITC Outreach & VITA

It is estimated that 25% of people who qualify for the Earned Income Tax Credit do not file for the credit because

- They do not KNOW they qualify
- They do not KNOW how to claim the credit
- They do not KNOW where to get free tax preparation

WE ALL HAVE THE OPPORTUNITY TO HELP!



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Average Client

- On average, THM clients earn \$12,000 per year
- On average, THM clients receive a \$1,200 federal refund
- On average, paid tax preparation costs \$180
- VITA has an immediate impact on the client and on the community!



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Three Ways to Join the Movement

- Start a Volunteer Income Tax Assistance Program in your community
- Join a Volunteer Income Tax Assistance Program in your region or state
- Start and EITC Outreach Program in conjunction with local VITA sites



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What types of organizations/community groups run EITC campaigns?

- Community based organizations
- United Way organizations & affiliates
- Vo-techs, tribal colleges, universities, extension service
- Community Development Organizations
- ACF programs (Head Start, Child Care, etc.)
- Libraries, county and local governments



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Where to start?

- Contact your IRS SPEC person
- Find out if there is a local coalition or VITA program already established and join in
- Become an intake site for non face to face alternatives or tax clinic options
- Provide computers for self-preparation



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Components of a Successful Program

- Engagement of IRS SPEC
- Volunteer Recruitment & Retention
- Partnerships!!!
 - Look for unlikely partners
- Marketing
 - Door hangers, PSA's, financial institutions, local and regional radio, local business



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Importance of Filing

- Even though they may not have a tax filing requirement, if a client has earned income they may qualify for a refund
- VITA sites can do prior year returns for up to three years
- VITA sites can link clients to other asset building opportunities in the community



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Resources

- Center on Budget and Policy Priorities
 - 2011 EITC Outreach Kit www.cbpp.org
- National Community Tax Coalition
 - Training & Technical Assistance
 - www.tax-coalition.org
- IRS Pub. 1084 – Site Coordinators Handbook



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