

Q&A: Public Benefits

New legislation passed in December 2010 has greatly simplified and standardized the rules for how the EIC and CTC are treated in determining eligibility for other public benefit programs.

Will getting the EIC or CTC lower other government benefits? Could someone lose benefits altogether?

Income. Congress enacted legislation in December 2010 which excludes any federal tax refund from counting as income in determining eligibility, or the amount of benefit, for any federally-funded public benefit program. This includes programs only partially funded by federal dollars. The refund can include benefits from the EIC, CTC, other tax credits, or refund of a filer's over withheld income tax.

Resource test. The legislation also provides that refunds that are saved by the filer do not count against the resource limits of any federally-funded public benefit program for **12 months** after the refund is received.

These new rules are effective for 2010 through 2012, the period covered by the legislation, which temporarily extended the 2009 expansions of the EIC, CTC and other tax credits.

For reference: PL 111-312, Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Sec. 728

Safe harbor. Deposits in certain types of Individual Development Accounts (IDAs), which may include a worker's EIC or CTC refund, do not count as a resource in determining eligibility for federally-funded public benefit programs, including state cash assistance (TANF) programs. For more information see the ["2002 Federal IDA Briefing Book"](#).

Can people who work and also get cash assistance still get the EIC or CTC?

Yes. As long as they earn wages and meet the income and other eligibility requirements for the credits. Cash assistance benefits are not considered in determining eligibility for tax credits.

Workfare programs. Some welfare recipients are required to participate in "work experience" and "community service programs" (often called "workfare") in exchange for their cash assistance benefits. These benefits are not counted as income to determine eligibility for the EIC or CTC.

Subsidized jobs. Current or former recipients who are employed in jobs for which employers are subsidized through state welfare block grants or other government programs *do* earn wages that count in determining eligibility for the EIC and CTC.