Increase EITC Education Among Transition-Age Youth

FRIDAY, FEBRUARY 23, 2018
10:00 TO 11:30 A.M.
Information to Participate

- Call-in number is (631) 992-3221; access code is 590-480-586
- To submit live questions, click on the “Questions” panel, type your question, and click “Send”
- Presentation materials and audio will be posted at www.jbaforyouth.org
Today’s Presenters

Amy Lemley, John Burton Advocates for Youth

Moneshia Campus, California Department of Community Services and Development (CSD)

Adam Gosney, California Department of Community Services and Development (CSD)

Katherine Nicholas, California Department of Social Services
Why Are We talking About The Earned Income Tax Credit and TAY?

1,576,705 18 to 24 year-olds enrolled in college in California

1,000 parenting non-minor dependents in California’s foster care system

19,900 children and youth in foster care placed with relatives
Agenda

Importance of Filing Taxes

Overview of the State and Federal Earned Income Tax Credit
  - Data of its impact and amount unclaimed in California
  - State and Federal eligibility and credit levels

Issues Commonly Faced by Transition-Age Youth

How to Apply for the EITC
  - Live demonstration of website
  - Information about VITA

Strategies to Integrate EITC Outreach

Q&A
CSD’s Programs

Community Service
Block Grant
Utility Assistance
Weatherization
Renewable Energy

http://www.csd.ca.gov/Services/FindServicesinYourArea.aspx
Importance of Filing Taxes

- Youth may receive a refund even if they do not qualify for the EITC
- Utilizing a Volunteer Income Tax Assistance site
- Builds financial literacy skills
- Can help develop independence and self-sufficiency
- Goal setting
- Develop executive functioning skills
- Can serve as a motivator
The Earned Income Tax Credit
Federal EITC: Refundable cashback tax credit for low-to-moderate income working individuals and families earning $53,267 per year or less. EITC reduces tax liability and then issues any unused credits as a cashback refund when a tax return is filed.
**State EITC**: First enacted in 2015 as the state's first-ever California Earned Income Tax Credit (Cal EITC) to help working individuals and families earning less than $22,300. A tax return must be filed to claim the credit.

<table>
<thead>
<tr>
<th>Number of Qualifying Children</th>
<th>CA Maximum Income</th>
<th>Cal EITC (up to)</th>
<th>IRS EITC (up to)</th>
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</thead>
<tbody>
<tr>
<td>None</td>
<td>$15,008</td>
<td>$223</td>
<td>$510</td>
</tr>
<tr>
<td>1</td>
<td>$22,322</td>
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<tr>
<td>2</td>
<td>$22,309</td>
<td>$2,467</td>
<td>$5,616</td>
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<tr>
<td>3 or more</td>
<td>$22,302</td>
<td>$2,775</td>
<td>$6,318</td>
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</tbody>
</table>
Health Benefits of Claiming EITC

$12,500 a year buys a year of life

EITC can provide up to 30 percent of family’s annual income

All we ask is they claim the credit, which in itself is a challenge.
The CalEITC, Together With Federal Credits, Significantly Boosts the Incomes of Working Families With Children

Increase in Income From Tax Credits for Workers Qualifying for the Maximum CalEITC, 2016

California EITC significantly benefits those in deepest poverty.
Cal EITC – Economic Impact

➢ The 196.1 million California EITC dollars claimed in 2016:
   ➢ Generated a total economic impact of $247.1 million in business sales (output).
   ➢ Supported 1,595 jobs.
   ➢ Created more than $86.4 million in labor income.
   ➢ Generated $15.4 million in tax revenue (36 percent of this amount comes from sales taxes).

➢ Sacramento County claimed $10.2 million, which:
   ➢ Generated a total economic impact of $12.9 million in business sales.
   ➢ Supported more than 84 jobs.
   ➢ Created more than $4.5 million in labor income.
The IRS has identified that the proportion of those failing to claim the Federal EITC credit is higher:

1. In areas with high concentration of Hispanics;
2. Among individuals with lower incomes than eligible individuals who filed a tax return to get the Federal EITC;
3. Among individuals who participated in food stamp assistance programs; and
4. Among those with no qualifying children.

The average proportion of individuals not claiming the Federal EITC credit is 25 percent.

In counties where the demographic profile indicates a prevalence of these factors, the actual non-filer rate is likely to be higher than the assumed 25 percent.
Federal EITC – Foregone Economic Impact

- In 2015, near 1.1 million Californians left on the table $1.9 billion in Federal EITC payments ($1.6 billion in 2006):
  - 69.2 percent higher than the $1.1 billion left in unclaimed in 2006 by 800,000 Californians.

- The foregone economic impact of the unclaimed dollars:
  - Totals over $2.3 billion in business sales losses.
  - Over 14,500 additional jobs not generated or supported.
  - More than $800 million in wages or labor income lost.
  - More than $150 million in tax revenue losses for state, county and city governments.

- Sacramento County left on the table $80.2 million, which implied a foregone economic impact of:
  - Over $95.3 billion in business sales losses.
  - Over 611 additional jobs not generated or supported.
  - More than $33.5 million in wages or labor income lost.
CalEITC4Me Resources

http://caleitc4me.org/

Eligibility Calculator

Interactive Heat Map

Tax Prep Finder Tool

Q & A

Partner Toolkits/Community Snapshots
CalEITC4Me Resources Cont.

Eligibility

Calculator
CalEITC4Me Resources Cont.

Interactive Heat Map
CalEITC4Me Resources Cont.

Tax Prep Finder Tool

http://caleitc4me.org/get-it/
Questions about EITC

Top Questions About the Earned Income Tax Credit

Am I eligible for the California Earned Income Tax Credit (CalEITC)?

If I am eligible for the CalEITC, will I qualify for the federal EITC?

How much could I get back?

When can I claim them?

I work two jobs as a 1099 employee—does that count?

If I have both 1099 and W-2 income, am I still eligible?

Will my benefits (such as CalWorks, CalFresh, or disability) count as income? Will claiming EITC count as reportable income when I apply or renew benefits?

If I’m not required by file my tax returns, because I am under the income threshold, do I need to file now to get the EITC?

If I am DACA protected, am I eligible for the EITC?

If I am a student and my parents claim me, am I eligible for the EITC?

I am a senior and meet the income threshold, do I qualify for the EITC?

Will I still qualify for this credit if I have any prior convictions on my record?

Should I file for the credit even if I have not filed my tax returns for many years and likely owe back taxes?

I applied to get the federal credit last year and was not eligible. How will I know if I am eligible now?

What documents do I need to file?

How can I protect myself from fraud or paying more than I should when filling my tax returns?

How do I find out if I’m eligible for free tax preparation and help?

How can I find a free tax preparation location near me?
CalEITC4Me Resources Cont.

Helpful Materials

Check out our range of printable materials to help you understand the Earned Income Tax Credit, so you and your family can get the most money back in your pocket this tax season.

Fact Sheets

What is the EITC? Are you eligible? How do you get it? Check out our collection of fact sheets to help you get the answers to these questions and more!

http://caleitc4me.org/helpful-materials/
Volunteer Income Tax Assistance

In 2013, 53% of those claiming EITC used a paid preparer

VITA sites can be used by individuals who are not claiming EITC

Average tax preparation fee is $292

Free tax prep with returns for individuals making less than $54,000 a year.

To find a site near you visit CalEITC4Me.org and use the Free Tax Prep Finder Tool, or call the IRS at 1-800-906-9887
Get It
To get your cash back tax credit, you must file your tax returns. If you are eligible for the Earned Income Tax Credit or made $54,000 or less in 2016, you can get your tax returns filed for free.

Free Tax Prep Finder
Enter your city, ZIP code or address below to find free tax prep locations near you. Once you find a convenient location, give them a call to set up an appointment or ask questions.

HELPFUL MATERIALS
Check out our range of printable materials to help you understand the EITC to get the most money back this tax season.
View materials »
How Can You Help?

EITC decreases poverty = increased Health

Trusted community-based Messengers are the key to informing young people about the advantages of filing taxes.

◦ File taxes for free at a VITA site
◦ Claim the EITC when they file
EITC “Referrals”

Receipt of Are You Eligible for the CalEITC Cash Back Refund

Received information on Free Tax Prep Finder

Tracking the referral
  ◦ Did participant claim EITC?
  ◦ How much did they get back from federal and Cal EITC?
  ◦ How did participants spend their refund?
Tracking the Referral – Initial Entry

Via the *Referral* TouchPoint in ETO

Reason for Referral – “Financial Assistance or Benefits”

Service provider name – “EITC”
Tracking the Referral – Updating Status

**Follow-up process** ➔ As with any referral, once made, follow-up at every subsequent Life Planning Meeting and update fields for both “Date of Service Status” and “Service Status”.

Access the referral from the participant dashboard:

If participant is determined ineligible, mark service status as “Not eligible for service”

If participant has applied for the refund, mark service status as “Service completed”
  - Additional questions will appear asking about Federal and California refund amount ➔ when participant has that information (at a later date), enter it into the touchpoint.
Tracking the Referral – Updating Status

Update area
The BIH EITC Challenge

Target (Screening Period: **February 13 – April 8**)  
- Screen 80% of currently active women for EITC  
- Follow-up on all referred women to determine whether they were:  
  - Eligible  
  - Applied for EITC  
  - How much total refund was received and how it was connected to Life Planning.  
  - “My Story”
Issues Commonly Faced by Transition-Age Youth

- How Foster Care Benefits Are Treated
- Difficulty Getting W-2s Due to Placement Changes & Moves
- Issues Related to Being a Young Parent
- Confusion about Filing Status
- How Financial Aid is Treated
Issue 1: How Foster Care Benefits Are Treated

Foster care benefit is not treated as income for the purposes of state and federal income tax

This includes:
- Supervised Independent Living (SILP) payment
- Infant Supplement
- THP+Foster Care
Issue 2: Difficulty Getting W-2s Due to Placement Changes or Moves

Contact your employer

Youth should have gotten W-2 by January 31.

Ask employer to resend W-2 to new address

Contact the IRS

Contact the IRS for assistance at 800-829-1040

File your return

File using estimating income and withholding taxes as accurately as possible.
Issue 3: Confusion about Filing Status

Single Filing Status
• Unmarried on the last day of the year

Head of Household Filing Status
• Single
• Been taking care of a dependent for more than six months
• Higher standard deduction
• Lower tax rates

Qualifying Widow/Widower With Dependent Child Filing Status

Married Filing Separately

Married Filing Jointly Filing Status
Issue 4: Issues Related to Being a Young Parent

Custodial parent claims all the child-related tax benefits for a child, including the EITC; it is not split.

IRS has special rule that allows the noncustodial parent may claim the dependency exemption for a child if the custodial parent releases the exemption.
Issue 5: How Financial Aid is Treated

**Taxable**
- Income earned through work-study
- Grant or scholarship above the amount paid on “qualified educational expense”
- Any other earned income

**Non-Taxable**
- Any grant, provided it is used only for a “qualified educational expense”
- Any government student loans
Issue 5: How Financial Aid is Treated

- All students who paid a "qualified educational expenses" will be sent the Form 1098-T

**Qualified educational expense**
- Tuition,
- Fees that are required for enrollment
- Course materials the student was required to buy from the school
- Student activity fees you are required to pay to enroll or attend the school

**NOT a qualified educational expense**
- Room and board
- Insurance
- Medical expenses (including student health fees)
- Transportation
- Personal, living or family expense

**EITC is counted as family income in determining financial aid eligibility**
EITC Outreach for TAY

Independent Living Programs

- Curriculum can include lessons/workshops on how to file taxes
  - Experiential workshop can be held at a VITA site
  - Include financial literacy/tax preparation on the Transitional Independent Living Plan (TILP)
    - #8 on Enclosure B of the TILP is “ILP Money Management”
      - Includes accessing information about taxes and filling out tax forms

- ILP Coordinators can share messaging with ILP social workers
  - Email blasts about upcoming VITA/EITC events
  - Make resources available at ILP offices
Outreach (cont.)

○ Transitional Housing
  ◦ Transitional Housing Coordinators
    ◦ Share messaging with Transitional Housing Programs in the counties
  ◦ Transitional Housing Programs
    ◦ Offer workshops on site for filing taxes and EITC
    ◦ Host a VITA event at a local transitional housing facility
    ◦ Have EITC resources at the housing facility
      ◦ Have a staff trained in how to help TAY file for the EITC/file taxes
Outreach (cont.)

- Parenting programs for foster youth
  - Identify a coordinator or point person for programs for pregnant and parenting youth
    - Incorporate information and resources into parenting programs when discussing financial literacy and budgeting
    - Coordinate with home visiting programs to bring outreach literature on their visits
Questions
Thank You!