Tax Credits Put Cash into Pockets of California's Most Vulnerable Transition-Age Youth

Wednesday, January 23, 2019
10:00am-11:30am
Today’s Presenters

• Amy Lemley, John Burton Advocates for Youth
• Jason Montiel, California Franchise Tax Board
• Eileen Mariano, John Burton Advocates for Youth
• Xavier Mountain, John Burton Advocates for Youth
• Susan Zimny, California Department of Social Services
• Tricia Conti-Luetke, Department of Community Services and Development
Information to Participate

• Call in number is 1 (213) 489-4232 and access code is 358-570-710
• Presentation audio will be posed at https://www.jbaforyouth.org/trainings-2/ and written publication will be posted at https://www.jbaforyouth.org/research-reports/
• To submit live questions, click on the “Questions” panel, type your question, and click “Send”
Agenda

• Introduction
• Background on the EITC
  • Why it’s important for TAY to file tax returns
  • State vs. federal EITC
  • Qualifying for EITC
  • Free tax help
• Specific situations and scenarios
  • Immigrant, student, non-filer status, homeless, juvenile hall, foster care, THP/SILP/THP+FC, joint custody, claimed as a dependent
• A youth’s perspective
• Ways to help TAY claim the CalEITC
• Helpful resources
• Q&A
Introduction
What is new about the CalEITC?

• Before 2018, without a qualifying child, a California resident had to be age 25 up to 65 years old to qualify for the EITC

• Beginning in 2018, threshold lowered to 18 years old

• Now, the EITC is much more accessible to transition-age youth
We need YOU to share this information with the 3.8 million TAY in California, particularly vulnerable TAY
The CalEITC can significantly increase the income of TAY, particularly young parents.
Background on EITC
Why should TAY care about tax returns?

• State and federal tax returns are due by April 15.
• Who files? Anyone with income can file.
• By filing, you may be able to claim a refund and/or valuable cash-back EITCs. You can use a refund and EITCs to pay bills, rent, etc.
• If you don’t file, you can’t get your refund or EITCs.
### Why should TAY care about tax returns?

**• Who must file?**

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Age as of December 31, 2018*</th>
<th>California Gross Income</th>
<th>California Adjusted Gross Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dependents</td>
<td>Dependents</td>
</tr>
<tr>
<td>Single or head of household</td>
<td>Under 65</td>
<td>$17,693</td>
<td>$29,926</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$23,593</td>
<td>$40,108</td>
</tr>
<tr>
<td>Married/RDP filing jointly or separately</td>
<td>Under 65 (both spouses/RDPs)</td>
<td>$35,388</td>
<td>$56,796</td>
</tr>
<tr>
<td></td>
<td>65 or older (one spouse)</td>
<td>$41,288</td>
<td>$57,803</td>
</tr>
<tr>
<td></td>
<td>65 or older (both spouses/RDPs)</td>
<td>$47,188</td>
<td>$56,627</td>
</tr>
</tbody>
</table>
Why should TAY care about tax returns?

• Key: Even if you don’t have a filing requirement, considering filing returns to:
  – Collect any refund you having coming.
  – Claim valuable CalEITC and federal EITC.
What is a tax refund?

• If you have a job, you likely pay taxes during the year. This is called withholding.

• If you had too much withheld during the year, you may be due a refund.

• When you file your state and federal taxes, you may be able to claim a refund from the state and feds.
What are EITCs?

• Cash-back state and federal Earned Income Tax Credits are designed to help low-income taxpayers. They reward people for working, and can put extra $$$ in your pockets.

• The federal EITC has been around for decades, while CA created CalEITC in 2015 to supplement the federal EITC.
What’s new with CalEITC?

• For tax year 2018, it got a lot easier for young adults and seniors to qualify for CalEITC:
  – Age threshold lowered to 18 and opened up to those 65 and over, even if they have no dependents.
  – In tax year 2017, credit was limited to age 25 up until 65, unless person had dependents.
What’s new with CalEITC?

• Expansion opens door to:
  – Young adults transitioning from foster care.
  – Young adults in college.
  – Seniors 65 and over who do not have dependents.
What’s new with CalEITC?

- For tax year 2018, CalEITC expanded so those earning up to $24,950 may qualify, up from $22,300 in tax year 2017.
- For second year, self-employment income can be used to qualify, in addition to W-2 income.
Qualifying for the CalEITC

• If your income is at or below the amount listed in this table, as determined by the number of dependents you have, then you will qualify for the CalEITC

<table>
<thead>
<tr>
<th>Number of Qualifying Children</th>
<th>CA Maximum Income</th>
<th>CalEITC (up to)</th>
<th>IRS EITC (up to)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>$16,750</td>
<td>$232</td>
<td>$519</td>
</tr>
<tr>
<td>1</td>
<td>$24,950</td>
<td>$1,554</td>
<td>$3,461</td>
</tr>
<tr>
<td>2</td>
<td>$24,950</td>
<td>$2,559</td>
<td>$5,716</td>
</tr>
<tr>
<td>3 or more</td>
<td>$24,950</td>
<td>$2,879</td>
<td>$6,431</td>
</tr>
</tbody>
</table>
What else do I need to qualify for CalEITC?

• Social Security Number valid for work.
• Lived in CA more than half of tax year.
• Cannot use “married/RDP filing separate” filing status.
How many families are now eligible for CalEITC?

• Expansion means additional 1 million families are likely eligible for CalEITC.

• In total, about 3 million families could receive the CalEITC this tax season.
How did California benefit in 2017?

CalEITC statewide (Tax year 2017)

- 1,469,984 credits issued
- $346,609,559 issued
- Average credit: $236

(As of 10/31/18)
What about federal EITC?

For tax year 2018, taxpayers may qualify for federal EITC if their total income is $54,883 or less.
What about federal EITC?

- Statewide for tax year 2017:
  - 2.8 million EITC credits issued
  - $6.6 billion issued
  - Average credit: $2,364
How much can a family get from both credits?

• **Average**
  - CalEITC: $236
  - Federal EITC: $2,364
  - Total: $2,600

• **Max between both credits:** $6,744
What else do TAY need to know?

- CalEITC can be claimed using W-2 income and self-employment income.
- To maximize your refund, keep related documentation and be sure to share it with FTB upon request.
What else do TAY need to know?

• If FTB requests more info, it will come on the “FTB 4502: Additional Documentation Required — Refund Pending.”

• Letter will be on FTB letterhead:
What else do TAY need to know?

• If letter arrives, FTB is simply trying to verify that the taxpayer is indeed qualified to receive the credit.
• FTB will send any letter to the taxpayer within 30 days of the return being filed.
• Response needed before CalEITC can be issued.
What else do TAY need to know?

• Also, if the taxpayer has claimed qualifying children, FTB will likely ask for SSNs and other info regarding these individuals. This way, FTB can validate the entire claim.
Where can TAY get help filing returns?

- Free tax return preparation is available to those earning $54,000 or less.
- The Volunteer Income Tax Assistance (VITA) program provides help in communities around the country – about 1,000 locations in CA alone.
- Visit CalEITC4Me.org/get-it/
Coming up

• IRS starts accepting federal returns on Jan. 28; FTB already accepting state returns.
• Tax Day is April 15.
Specific Situations
Specific Situations: Immigration

- Lived in the United States for more than half of the last year
- US citizen, resident alien, married to US citizen or resident alien
- DACA: social security number
### My UC Berkeley Costs

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Books and Supplies</td>
<td>$1,230.00</td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td>$12,972.00</td>
</tr>
<tr>
<td>Living Expenses</td>
<td>$17,966.00</td>
</tr>
<tr>
<td><strong>Total UC Berkeley Costs</strong></td>
<td><strong>$32,168.00</strong></td>
</tr>
<tr>
<td>My Gift Aid</td>
<td>$24,261.00</td>
</tr>
<tr>
<td>My Net Cost</td>
<td>$7,907.00</td>
</tr>
<tr>
<td><strong>Total Resources to Meet My UC Berkeley Costs</strong></td>
<td><strong>$32,168.00</strong></td>
</tr>
</tbody>
</table>

**Not Taxable**

**Taxable**

Therefore, the amount of the Gift Aid that is taxable is:

\[
24,261 - 1,230 - 12,972 = 10,059
\]
Specific Situations: Student, 1098-T

- Section 1: amount you have paid. Does not include amount in Section 5
- Section 2: amount you have been charged
- Section 5: total of all financial aid. Does not include loans

![Image of 1098-T form]

<table>
<thead>
<tr>
<th>FILER's name, address, city or town, state or province, country, ZIP or foreign postal code, and telephone number</th>
</tr>
</thead>
<tbody>
<tr>
<td>UC Berkeley 123 College Ave Berkeley, CA 94720</td>
</tr>
</tbody>
</table>

$5,643.00

$32,168.00

2018

Tuition Statement

Jane Doe

567 Broadway

6 Adjustments to scholarships or grants for a prior year

$24,261

This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
Specific Situations: Student, loan interest deductions

- If your income is less than $80,000, and you are currently paying off student loans, you can deduct up to $2,500 of student loan interest from taxable income.
- Will receive a 1098-E form, which reports student loan interest.
- Can deduct $2,500 of the $8,582.13
Specific Situations: Student, loan interest deductions

- Report the $2,500 deduction on form 1040, line 33
Specific Situations: Student, CalEITC and FAFSA

- Complete FAFSA form with tax information
- CalEITC does not impact eligibility for FAFSA
Specific Situations: Student, non-filer status

- Without filing taxes, you may have to demonstrate proof of non-filer
- As of January 2019, you can obtain non-filing status, or sign statement saying you tried to obtain it
- However, IRS has discretion to determine if attempt was sufficient
- May delay financial aid
- To learn more about the new proof of non-filer guidelines, visit: [https://ifap.ed.gov/eannouncements/010919Chngsto1819and1920VerificationReq.html](https://ifap.ed.gov/eannouncements/010919Chngsto1819and1920VerificationReq.html)
Specific Situations: Homeless

- Can use a clinic, shelter, drop-in center as an address, with their permission
- Without a bank account, bring tax return check to Walmart, or have refund loaded onto prepaid debit card
Specific Situations: Juvenile hall or other temporary detention

- AB-2448: youth access to internet for educational purposes
- Have somebody bring tax forms: 1040 for federal taxes, 540 for state taxes
- File for tax extension: 4868 for federal taxes, 3519 for state taxes
  - Extensions until October 15th
- Can claim California EITC regardless of past convictions
- Wages while incarcerated or on work release are not income for EITC
Specific Situations: Foster care, SILP/THP+FC

- Foster care payment is not taxable income
  - This includes the infant supplement and the stipend paid to youth placed in THP+FC

- Most foster youth will file as:
  - Single head of household or Single

Other options include:
- Married filing jointly
- Married filing separately
- Qualifying widow with dependent children
Specific Situations: Joint Custody

- Only one parent can claim tax benefits
- Custodial parent
- If parents split custody, then parent with highest gross income
Specific Situations: Claimed as a Dependent

- Legally claimed as dependent if:
  - Child, student, more than half of your financial support is from another taxpayer
  - Not a child, but a relative, live with taxpayer, make less than $4,050, more than half of financial support is from another taxpayer
- File taxes electronically, will be declined if claimed as a dependent
  - File taxes by mail
  - IRS will look into the case
- IRS Identity Theft number: 1-800-908-4490
Scenario: Student

Brenda
• Age: 23-year-old student
• Income: $4,000 per year from part-time job
• Financial aid: $12,000 for tuition and $12,000 for living expenses
• Children: None

Is she legally required to file state taxes?

Is she eligible for the CalEITC?

If so, how much could she get from it?
Scenario: Student

Is she legally required to file state taxes? No
- Taxable income: $4,000 from part-time job + $12,000 for living expenses = $16,000
- Nontaxable income: $12,000 for tuition
- $16,000 of taxable income is below mandated filing threshold of $17,693

Is she eligible for the CalEITC? Yes
- Her income is below the maximum qualifying income of $16,750

How much could she get from the CalEITC? 
- $232
Scenario: Foster youth

Joe
  • Age: 19-year-old foster youth and part-time student
  • Income: $12,000 per year from part-time job
  • Receives $960 monthly SILP payment
  • Children: None

Is he legally required to file state taxes?

Is he eligible for the CalEITC?

If so, how much could he get from it?
Scenario: Foster youth

Is he legally required to file taxes? No
- Taxable income: $12,000 from part-time job
- Nontaxable income: monthly SILP payments of $960
- $12,000 of taxable income below the $17,693 mandated filing threshold

Is he eligible for CalEITC? Yes
- His income is below the maximum qualifying income of $16,750

How much could he get from the CalEITC?
- $232
Scenario: Parenting youth

Charlotte
- Age: 24-year-old, unmarried
- Income: $22,000 per year
- Children: One, lives with her for the entire year

Is she legally required to file state taxes?

Is she eligible for the CalEITC?

If so, how much could she get from it?
Scenario: Parenting youth

Is she legally required to file taxes? No
• Taxable income of $22,000 is below the mandated filing threshold with one dependent of $29,926

Is she eligible for the CalEITC? Yes
• Her income is below the maximum qualifying income with one dependent of $24,950

How much could she get form the CalEITC?
• $1,554
A Youth’s Perspective
A Youth’s Perspective

- What is it like to file taxes as a youth?
- What could have helped promote success in the tax filing process?
- How would additional income from a tax credit have been beneficial?
Ways to Help TAY Claim the CalEITC
Strategy 1: print out JBAY’s CalEITC publication

- Print out JBAY’s EITC publication: https://www.jbaforyouth.org/cal-eitc-guide/
- Targets TAY as an audience
- Contents:
  - Step 1: Learn about the CalEITC
  - Step 2: Do I need to file taxes?
  - Step 3: Collect documentation to file
  - Step 4: File your taxes
  - Step 5: Get your tax refund
  - Helpful Resources
Strategy 2: get informational materials about the CalEITC and taxes

- Visit the California Franchise Tax Board’s website for CalEITC brochures, posters, and information at ftb.ca.gov and CalEITC4Me.org
- Contact Jason Montiel at Jason.Montiel@ftb.ca.gov for information on how to order any of these free materials in English, Spanish, Vietnamese, Korean, Mandarin and Russian.
- Contact csbg.div@csd.ca.gov to learn about the ways in which the California Department of Community Services and Development is educating communities about the CalEITC and about how to get help filing taxes
Strategy 3: encourage collection of documentation year-round

• Support TAY in keeping financial documentation throughout the year

• These include W-2, 1099, pay stubs, 1098T, financial aid award letters, proof of health insurance
Strategy 4: support TAY in securing personal documents

- If a youth doesn’t know their Social Security Number and they have one, they can go to their local Social Security office with as many legal identity documents as they possess.
- Foster youth given personal documents when transitioning out of foster care. Can return to county of jurisdiction or call Ombudsman's Office.
- If a youth is not eligible for a Social Security Number (not a citizen, temporary working resident, or permanent resident), they can apply for an Individual Taxpayer Identification Number from the IRS and use this to file taxes, although they will not be able to qualify for the CalEITC.
Strategy 5: dedicate time between January and April for taxes

- Dedicate time to tax filing between January 29th and April 15th
- Establish times for workshops
Strategy 6: direct TAY to free tax preparation services

- Direct TAY to free tax preparation assistance services: TurboTax, VITA
- There are approximately 1,000 VITA sites around the state
- To find a VITA site near you, visit https://irs.treasury.gov/freetaxprep/ and then enter your zip code
- Consider being a VITA site next year
Strategy 7: forward the All County Information Notice to your colleagues

Strategy 8: integrate information on the EITC into existing TAY programs and services

Some strategies for spreading the word about the benefits of the EITC to older foster youth include:

• The case worker can provide information to the youth during the development of the Transitional Independent Living Plan (TILP) and/or case plan.

• Talking about the EITC with the youth when informing the youth of the results of their credit history check or going over information in a credit report.

• Information can be provided during team meetings for the youth, including Child and Family Team (CFT) meetings, Team Decision Making (TDM) meetings, 90-Day Transition Plan meetings and parenting conferences.

• Integrate info on the EITC into Independent Living Program curriculum – can be introduced as part of the core service of financial literacy.

  E.g. Workshop on tax preparation can include how to claim the EITC
Helpful Resources
Helpful resources

- JBay’s CalEITC Publication: https://www.jbayforyouth.org/cal-eitc-guide/
- To determine if you need to file California state taxes: https://www.ftb.ca.gov/individuals/fileRtn/index.shtml
- Information on CalEITC eligibility and how much you could receive as a credit: https://www.ftb.ca.gov/individuals/faq/net/goo.shtml?WT.mc_id=HP_Slab_CalEITC
- For CalEITC brochures, posters, and order info: https://www.ftb.ca.gov/individuals/faq/net/goo_media.shtml
Q&A

For more information, contact:

- Amy Lemley at amy@jbay.org
- Jason Montiel at Jason.Montiel@ftb.ca.gov
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- Susan Zimny at Susan.Zimny@dss.ca.gov
- Xavier Mountain at xmountai@usc.edu
- Tricia Conti-Luetke at Tricia.ContiLuetke@csd.ca.gov.
Thank you!