

News Release

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January 9, 2005

Earned income tax credit could save thousands for working families

The federal government has a plan for putting up to \$4,300 into the pockets of lower-income workers. The plan is called the Earned Income Credit (EIC). Its purpose is to reward working individuals and families and give added income to those who may need it.

You do not have to owe any income tax to be eligible, but you do need to file an income tax return.

The Earned Income Credit is for people who work but don't earn high enough income, and could use the EIC to put food on the table, move into better housing, invest in education or transportation, or save for the future. Visit the IRS web site for more information, including common questions and answers to help you determine if you are eligible. Go to:
<http://www.irs.gov/individuals/article/0,,id=96456,00.html>

If your family earned less than \$29,666 (or \$30,666 for married workers) and you have at least one child, you may be eligible for the federal earned income tax credit. The federal EIC is designed for working families. It is not just for families with children, although they may have a greater likelihood of qualifying.

Families with two or more children are eligible with income up to \$33,692 (or \$34,692 for married workers) and workers between ages 25 and 64 without children earning less than \$11,230 (or \$12,230 for married workers) also may receive a credit.

"We estimate at least 15 percent of eligible families don't receive the credit, either because they don't file a tax return or because they file the 1040EZ form," says [YOUR NAME].

Even though the eligibility levels are adjusted for inflation, the number of claimants in Wisconsin actually dropped during the last couple of years.

Eligible families may receive up to \$4,204 from the federal government if they have two or more children, or \$2,547 if they have one child. Grandparents who raise a child at least six months a year and other adults, including aunts and uncles, and authorized foster parents also are eligible for the refund if they drew wages or were self-employed some time during the past year.

The Wisconsin EIC is only available to people with children. It is designed to help working families pay bills and childcare costs. The earned income credit is refundable. This means that even workers who did not earn enough wages to have Wisconsin taxes withheld can receive the credit. Although federal credits do not increase after two children, Wisconsin's allowances are more generous for larger families.

To apply for tax credits, families with children must:

- File either the 1040 or 1040A tax form and Schedule EIC for the federal credit.
- File Wisconsin tax form 1 or 1A and claim the Wisconsin credit using the federal EIC amount.
- Supply the social security numbers for any dependent children being claimed.
- Workers without children may file the 1040EZ to receive a federal tax credit.

The federal EIC does not require that there are children in the family, however, the Wisconsin EIC does.

Salaries, wages, self-employed earnings and private disability payments are considered earned income. Child support, alimony, social security benefits, and grants from state and federal assistance programs like Wisconsin Works (W-2) and food stamps are not counted as earned income. Beginning in 2002, non-taxable earned income was no longer considered in determining eligibility for the EIC.

Eligible families who did not file during the past three years because they did not owe any federal income tax may still file amended forms to receive credits from previous years. Assistance and forms are available from the Internal Revenue Service and Wisconsin Department of Revenue.

Free tax preparation assistance will be available again this year through the Silver Lake College Volunteer Income Tax Assistance (VITA) program. Every Saturday until April 2nd, trained tax preparers will provide assistance from 9:30 a.m. – 2 p.m. at the Southfield Townhouse Neighborhood Network Learning Center at 2516 South 21st Street. No reservations are needed.

Our office has a handout to further describe the federal and state Earned Income Credit requirements. Either log on to our website at www.uwex.edu/ces/cty/manitowoc/ for a copy or, stop by our office at 4319 Expo Drive in Manitowoc.

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