

News Release

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Earned Income Credit Benefits Working Families

The federal government has a plan for putting thousands of dollars back into the pockets of lower-income workers. The plan is called the Earned Income Credit (EIC). This special tax benefit is to reward working individuals and families and give added income to those who may need it.

The Earned Income Credit is for people who work but don't earn high incomes, 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.

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

A total of 214,164 tax filers claimed Wisconsin earned income tax credits (EITC) amounting to \$69.8 million in tax year 2003, according to Department of Revenue (DOR) statistics from individual income tax returns. The average credit was \$326. These are the most recent statistics to offer since current data has not yet been compiled.

In looking at Manitowoc County in 2003, 2,769 households applied for an EIC receiving an average of \$306 per credit. In total, \$846,327 was given to County residents through EIC.

The Wisconsin EITC equals a percentage of the federal earned income tax credit, depending on the number of children in the household of the credit claimant: 4% for persons. If your family earned less than \$31,030 (or \$33,030 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 \$35,263 (or \$37,263 for married workers) and workers between ages 25 and 64 without children earning less than \$11,750 (or \$13,750 for married workers) also may receive a credit.

Many eligible families don't receive the credit, because they don't file a tax return, because they file the 1040 EZ form, or because they were not aware of it.

Eligible families may receive up to \$4,400 from the federal government if they have two or more children or \$2,662 if they have one child. Grandparents who raise a child at least six months out of the year also are eligible for the credit 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 1040 EZ to receive the federal tax credit. The federal EIC does not require that there are children in the family, however, the Wisconsin EIC does.

For EIC purposes, earned income includes 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.

Eligible families who did not file during the past three years because they did not owe any 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.

Silver Lake College students are again providing free income tax preparation assistance. Interested persons should go to the Southfield Townhouses Neighborhood Network Learning Center located at 2516 South 21st Street in Manitowoc. (Turn off of Viebahn on 21st Street at the "office entrance" sign. Go to the end of the street and turn left into the complex. Park in the visitors section near the "Learning Center" sign.)

Assistance is available every Tuesday evening from February 7th through April 4th from 6 p.m. to 9 p.m. Reservations are not needed. No electronic filing will be done at Southfield this year.

For a flyer containing information about the federal and state Earned Income Credit, contact our office at 683-4168. It can also be obtained by visiting our website at <http://www.uwex.edu/ces/cty/manitowoc/flp/index.html>

For information about EIC and other tax credits including eligibility, benefits, and procedures, log on to www.uwex.edu/ces/econ. Whether the information is for you or for a family member, learning the facts can possibly provide extra money for a purchase or for debt retirement.

What do you need to bring to Southfield to file your taxes?

Tax forms and statements

Copy of last year's return, if any

W-2 forms from all 2005 jobs

All tax forms received in mail including 1099-G (unemployment), 1099-INT (bank interest)

1099-MISC (miscellaneous income), and W-2G (gambling winnings)

Record of any estimated tax payments made for 2005

Social Security Numbers

Social Security numbers for all household members, including children (unless born after November 2005).

Additional information for Homestead Credit

2005 property tax bill (if homeowner)

Completed rent certificate (if renter)

Record of W-2 cash benefits received each month (if any)

Additional information for Child Dependent Care Credit

Name, address, and tax identification number of child care provider (Social Security number if private individual)

Amount paid to each child care provider in 2005

Some County resident chose to apply for EIC at the end of the year when completing tax forms, and others chose to work with company human resource directors to obtain the advanced credit. If eligibility is met, workers can receive their credit monthly rather than in a lump sum annually when applying for the advanced income credit option. Either way, it's a good deal. Why not check it out?

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