



Grandparents Raising Grandchildren Partnership of Wisconsin

Older Adults Who Are Raising Children May Qualify For Tax Refund

If you had grandchildren or other children living with you last year and earned less than \$31,152, you may be eligible for an earned income tax credit from the Internal Revenue Service. Parents and grandparents who raise a child at least six months a year, and other adults who care for a child who is related to them or who has been placed with them by an authorized agency for an entire year, may be eligible for state and federal credits if they earn no more than \$31,152 and have two or more children, or \$27,413 and have one child.

To be eligible for state and federal credits, adults raising a child must have worked for someone else or been self-employed at some time during the past year.

Judi Bartfeld, University of Wisconsin-Extension family resource management specialist, says families with children who make between \$8,000 and \$12,000 are eligible for the largest credit -- up to \$3,888 from the federal government and \$1,672 from the state. The largest federal credits are for families with two or more children.

Although the federal credit does not increase after two children, Wisconsin's allowances are more generous for larger families. The maximum Wisconsin earned income credit is \$94 for one child, \$544 for two children and \$1,672 for three or more children.

People need to file both federal and state tax forms to receive both credits, even if they owe no taxes.

"An estimated 15 percent of eligible families don't receive the credit, either because they don't file a return or because they file the 1040EZ form," says Bartfeld, who is also a UW-Madison professor in the School of Human Ecology. She says the number of people claiming the credit in Wisconsin has actually declined over the past couple of years, even though more people are working.

"The average federal credit is more than \$1,400, and the average state credit is more than \$300, so it's worth the effort to fill out the forms if your family meets the income requirements."

To take advantage of the credit, grandparents or other caregivers 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 earned income credit using the federal EIC amount. -- Provide any social security numbers for dependent children they are claiming. Childless workers may file the 1040EZ to receive a federal tax credit. State tax credits are not available to people without children. Bartfeld says the tax credit is designed to help

working families pay bills and child care costs. Most of the credit money ends up staying in the local communities where eligible families live.

Salaries, wages, self-employed earnings and private disability pay are considered earned income. Child support, alimony, social security benefits, and state and federal grant programs like Wisconsin Works (W-2), SSI 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 federal income tax can 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. For more information, call the IRS at (800) 829-1040.

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