



## The Earned Income Credit and Child Tax Credit

### *Helping Individuals Released From Prison Maximize Their Earnings*

According to U.S. Department of Justice reports, approximately 650,000 former state and federal prisoners reenter society each year. Individuals with criminal records often have trouble finding employment and since they may be “starting over”, their resources are extremely limited. When they do obtain a job, it is often low-wage or intermittent employment, making it difficult for them to achieve financial stability. Another ten million individuals are released from local jails each year and experience similar barriers to employment. The Earned Income Credit and Child Tax Credit can provide additional support for eligible former prisoners and jail which improve their ability to obtain long-term employment and reduce the risk of recidivism.

In addition, the Department of Justice reports that more than half of the 1.4 million adults incarcerated in state and federal prisons are parents of minor children. When a parent is incarcerated a relative often steps in to care for the child. Since these relative caretakers are likely to not have budgeted for raising a child, the EIC and CTC can help family members who become the caregivers of the child of a person who is incarcerated.

### **What are the Earned Income Credit (EIC) and Child Tax Credit (CTC)?**

The EIC and CTC are federal tax benefits for low- and moderate-income workers that can reduce or eliminate taxes owed and supplement wages. Even workers who don't owe income tax may be eligible for these tax credits.

### **Who qualifies for the EIC and CTC?**

Eligibility for the EIC depends on family size and income. The CTC is available to families with “qualifying children” who earn over \$3,000.

#### *Tax Year 2010:*

<b>Number of “qualifying children” for the EIC:</b>	<b>Earned income less than:</b>	<b>EIC up to:</b>
1 child	\$35,535	\$3,050
2 children	\$40,363	\$5,036
3 or more children	\$43,352	\$5,666
No children	\$13,460	\$457
<b>Number of children for the CTC:</b>	<b>Earned more than:</b>	<b>CTC up to:</b>
1 or more children	\$3,000	\$1,000 per child

\* *EIC income limits for married workers are \$5,010 higher than these amounts.*

\* *Workers without children must be 25 – 64 to claim the EIC.*

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820 First Street, NE, Suite 510 • Washington, DC 20002 • 202.408.1080 • Fax 202.408.1056 • center@cbpp.org • www.cbpp.org

## **Who is a “Qualifying Child” For the EIC and CTC?**

- Sons, daughters, stepchildren, grandchildren and adopted children
- Brothers, sisters, stepbrothers, or stepsisters — as well as descendants of such relatives
- Foster children who are placed with the worker by an authorized government or private agency

“Qualifying children” must live with the worker for more than half of the year. They must be under age 19, or under age 24 if they are full-time students. Children of any age who have total and permanent disabilities also may be qualifying children. Valid Social Security numbers are required for qualifying children born before December 31, 2010.

## **How do you get the EIC and CTC?**

You must file a tax return to claim the EIC and CTC. Workers raising a “qualifying child” in their home in 2010 must file either Form 1040 or 1040A and must fill out and attach Schedule EIC. Workers with children cannot get the EIC if they file Form 1040EZ or do not attach Schedule EIC. Married workers must file a joint return to get the EIC.

Workers who were not raising a “qualifying child” in their home in 2010 can file any tax form — including the 1040EZ and do not file Schedule EIC.

Eligible workers can claim EIC and CTC refunds for up to 3 previous years. A correct name and Social Security number must be provided for each filer listed on the tax return and each child listed on the Schedule EIC. If this information is incorrect or missing, the IRS will delay the refund.

## **Get FREE help filing tax forms!**

Each year, billions of dollars in EIC refunds go unclaimed. Many workers who claim the EIC pay someone to complete their tax forms. This often costs between \$55 and \$130, and sometimes more. Getting a “quick tax refund” that comes back in a few days costs even more money. Paying for tax preparation takes away from the value of the EIC. Free help with tax preparation is available through a program called VITA (Volunteer Income Tax Assistance). Trained community groups operate VITA sites throughout the country. ***For a VITA site near you, call 1-800-906-9887 or visit [www.irs.gov](http://www.irs.gov) (key word search “site list”).***

## **What else do I need to know?**

### ***Public benefits:***

New legislation enacted by Congress in December 2010 excludes any federal tax refund from counting as income in determining eligibility, or the amount of benefit, for any federally-funded public benefit program. Refunds that are saved do not count against resource limits for 12 months after the refund is received.

### ***Immigrants:***

Many immigrants who are legally authorized to work can qualify for the EIC, as long as they meet the other eligibility requirements.

*Money Talks! Have You Heard?* is a national outreach campaign to promote the EIC, CTC and free tax filing assistance. As part of its campaign, the Center on Budget and Policy Priorities produces a Tax Credit Outreach Kit which provides materials and information to conduct community outreach activities promoting the tax credits. To request a free copy of the 2011 Money Talks! Have You Heard? Tax Credit Outreach Kit, email [eickit@cbpp.org](mailto:eickit@cbpp.org). To view online materials and resources, go to: [www.eitcoutreach.org](http://www.eitcoutreach.org). For questions, contact Roxy Caines, 202-408-1080.